

# Empowering a green future

SMS Sustainability Report 2023



# Welcome to our Sustainability Report 2023

At SMS, we are committed to meeting and exceeding our sustainability commitments, which broadly cover our ethical responsibilities to the environment, society, and governance (ESG). These commitments fundamentally support our low-carbon, smart energy growth journey, whilst our business culture is underpinned by our core values of Safety, Customer Excellence, Innovation, Pride and Sustainability.

**Charlotte Gregory**  
Head of Sustainability



## Progressing with purpose

### Net Zero

Successful completion of our Sustainability Upgrades in our Cardiff office.



19

38



### Best Companies

Achieved '1 Star Accreditation' for very good levels of employee engagement from Best Companies.



57

### Climate Risk

During 2023 we have refreshed and improved our processes around climate risk.

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## Our vision

To be at the heart of the low-carbon, smart energy revolution that is pivotal to realising a greener, more sustainable world.

### Data-driven smart energy

Underpinned by our core enablers

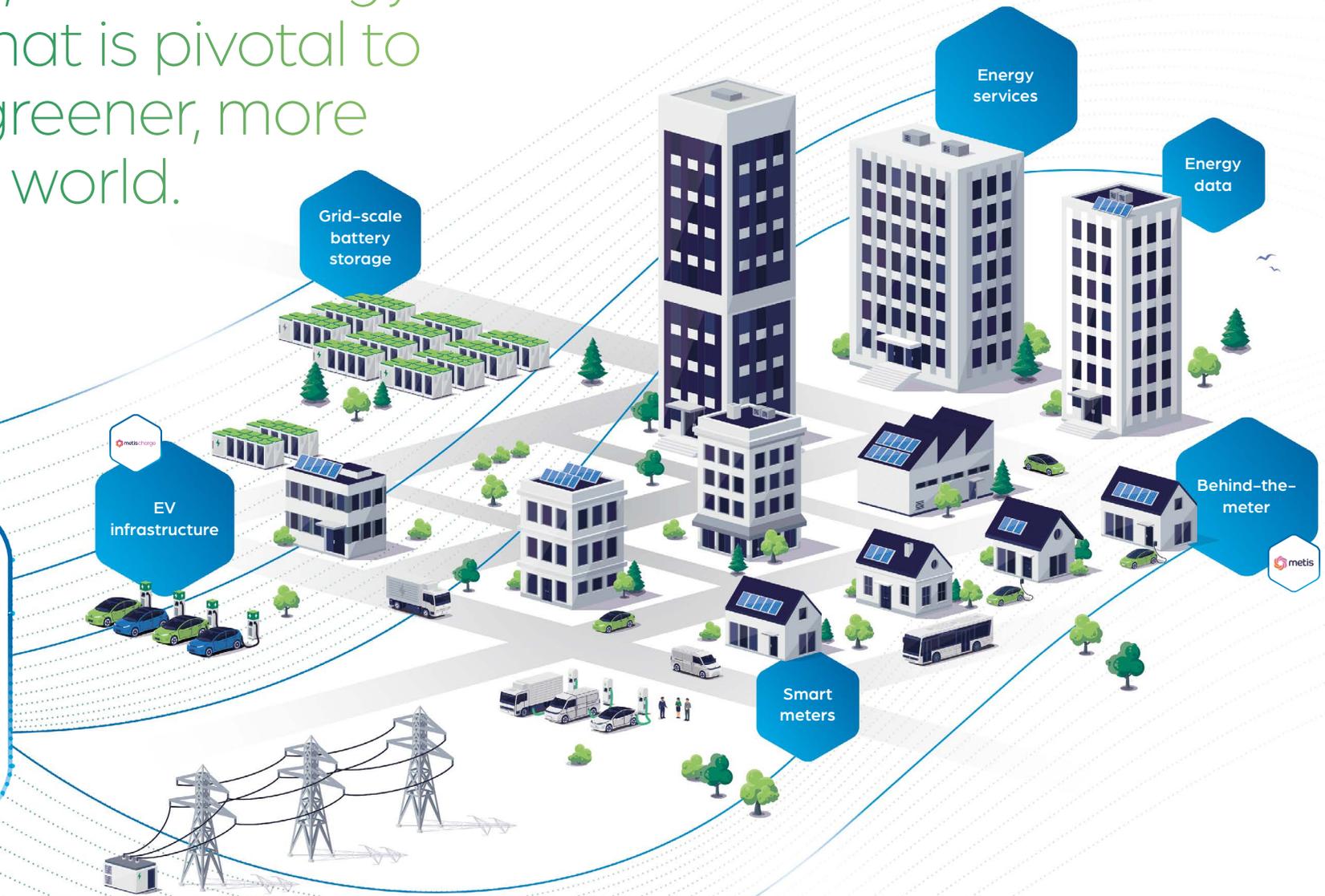
Skills

Technology

Experience

Open Energy Data

Energy Insights



## Our purpose

Serving our customers,  
protecting the environment.



## Introduction

# Empowering a green future

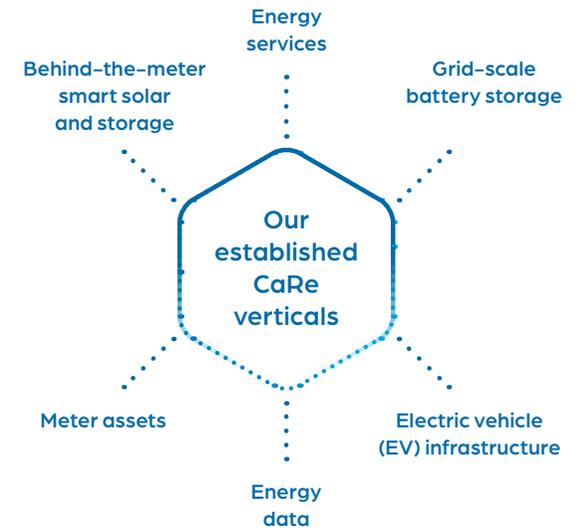


In 2023, we witnessed some of the immediate pressures stemming from the global energy crisis ease. Across the energy landscape, we have observed the alignment of costs, climate objectives, and energy security goals. These are positive signs for the future of both energy security and affordability, alongside crucial transitions towards lower carbon energy sources to safeguard our environment and mitigate further climate risks.

The ongoing global and market developments underscore the focus and urgency of our core mission at SMS, which is to safeguard our environment and serve our customers by continually evolving and innovating our services to remain at the forefront of the energy transition.

## Our services

We are a fully integrated, end-to-end energy infrastructure company which owns, installs and manages carbon reduction (CaRe) assets.



We continue to utilise our passion, energy expertise, and innovation every day at SMS to provide services which support grid stability, low carbon technologies and smart energy systems to deliver greener, smarter and affordable energy for all."

**Tim Mortlock**  
Chief Executive Officer

## Introduction continued

# Reporting context

This report presents our environmental, social, and governance (ESG) performance indicators, including business drivers and contextual information for 2023. These data points form the basis of our reporting to various third party ESG platforms and serve as the foundation for our responses to inquiries from stakeholders. Openness and transparency, alongside corporate governance, are fundamental principles that underpin all our public reporting and remain of ongoing importance to SMS.

### Reporting boundaries

Our report is based on an operational boundary, which is the more commonly used approach outlined by the Greenhouse Gas Protocol. Our data covers all 2023 business activities, employees, and locations unless otherwise specified by the data point.

### Assurance

Our Internal Audit team review content of our Sustainability Report and Data Centre documents, ensuring the accuracy of the statements within.

Our carbon emissions within our Streamlined Energy and Carbon Report (SECR) are externally, third-party assured, and our assurance statement can be found on our website.

### ESG data selection and frameworks

We aim to continually improve our ESG data set to support our business and disclose relevant, transparent information to our stakeholders. Several international ESG reporting frameworks guide our data selection process. Our Sustainability Report and supporting Data Centre document utilise both the SASB materiality matrix and GRI standards, supplemented with specific requirements from our ESG rating organisations, to communicate our performance. Consequently, these documents are prepared in accordance with the GRI core disclosure requirements. Moreover, it complements and serves as our 2023 Communication on Progress (COP) to the United Nations Global Compact (UNGC).

### Reporting period

This report is based on governance activities and performance for the 2023 calendar year. We note that transitioning away from listed status in 2024 will likely result in changes to the governance structure.

GRI and SASB  
Content Index



Global Reporting  
Initiative



Sustainability Accounting  
Standards Board

<b>Introduction section</b>	GRI 101 Foundation GRI 102 General disclosure GRI 103 Management approach GRI 3 Material topics	
<b>Environmental section</b>	GRI 304 Biodiversity GRI 305 Emissions GRI 306 Waste GRI 307 Environmental compliance	RR-FC-130 Energy consumption IF-EU-110 Greenhouse gas emissions & energy resource planning
<b>Social section</b>	GRI 401 Employment GRI 403 Occupational health & safety GRI 404 Training and education GRI 405 Diversity & equal opportunities GRI 410 Security practices	SV-PS-330 Workforce diversity & engagement IF-EN-250 Health & safety IF-WM-320 Workforce health & safety RR-FC-320 Safety
<b>Governance section</b>	GRI 204 Procurement practices GRI 205 Anti-corruption GRI 409 Forced labour	SV-PS-230 Data security

Supporting data can be found within our Data Centre document on our website.

## ESG materiality

# Materiality assessment

We have utilised GRI 3 Material Topics and reviewed best practice to enhance the transparency and context of our ESG communications by updating our materiality assessment and establishing a register to monitor and communicate our ESG material aspects. This process ensures that we're able to effectively understand, consider, and evolve our strategy in a way that maximises opportunities and reduces risk.

In line with best practice, we examine the risks and opportunities facing our business in both the immediate and long term, scoring them based on a wide range of factors to quantify their level of importance to us and our stakeholders. We then use the outputs to create our Materiality Matrix. Moving forward, this will be reviewed annually to ensure a comprehensive view of our evolving and growing business.

This involves:

- Engaging internal experts across the business to understand how these issues may affect our operational or financial performance, such as our reputation or growth.
- Incorporating external insights from a broad range of stakeholders, such as customers, investors, policymakers, non-governmental organisations (NGOs), and suppliers, as well as the United Nations Sustainable Development Goals.
- Reviewing our quantitative ratings with our ESG Working Group and,
- Sharing the outcomes within our Board Health, Safety, and Sustainability Committee.

Embedded within this process is a 'Double Materiality' approach. This considers both the impact that an aspect has on SMS as a business and the impact that we have as a business on the aspect.

## GRI materiality process

**GRI 3:** Material Topics 2021 offers step-by-step guidance for organisations on determining material topics. Material topics are those that represent an organisation's most significant impacts on the economy, environment, and people, including their impacts on human rights.



## Materiality matrix



- |  |   |   |
|--|---|---|
| <p><b>Focus area</b></p> <ul style="list-style-type: none"> <li>1 Access to products and services: affordable clean energy</li> <li>5 Asset integrity</li> <li>7 Carbon emissions</li> <li>8 Climate adaptation</li> <li>12 Cyber security &amp; Info security</li> <li>18 Human rights</li> <li>26 Technology &amp; digitisation</li> </ul> | <p><b>On going importance</b></p> <ul style="list-style-type: none"> <li>4 Anti-corruption &amp; bribery</li> <li>6 Biodiversity</li> <li>9 Conflict &amp; security</li> <li>10 Corporate governance</li> <li>11 Customer services</li> <li>13 Employee training &amp; development</li> <li>14 Ethics &amp; voluntary compliance</li> <li>15 Fair pay &amp; executive remuneration</li> <li>16 Forced labour</li> <li>21 Non-discrimination &amp; equal opportunities</li> <li>22 Occupational health &amp; safety</li> <li>23 Openness &amp; transparency</li> <li>24 Procurement practices</li> <li>27 Waste</li> </ul> | <p><b>Watch list</b></p> <ul style="list-style-type: none"> <li>2 Air quality &amp; direct air emissions</li> <li>3 Anti-competitive behaviour</li> <li>17 Hazardous materials</li> <li>19 Labour/management relations &amp; employment practices</li> <li>20 Local communities</li> <li>25 Tax/payments to governments</li> <li>28 Water &amp; effluent</li> </ul> |
|--|---|---|
- Click on some of these topics to find out more.**

## ESG reporting

# Standardised and encompassing reporting

### Globally recognised sustainability initiatives and frameworks

We have incorporated specific internationally recognised frameworks and initiatives to standardise and broaden our reporting in line with our material ESG aspects.



#### UN Global Compact

We continue to reaffirm our support of the United Nations Global Compact, utilising our Sustainability Report to qualify for the advanced level of 'communication of progress'. As a signatory of the United Nations (UN) Global Compact, we commit to upholding and disclosing ethical principles across human rights, labour, the environment, and anti-corruption. Our core values align with delivering upon the UN principles, and in 2023, we continued to make progress, as shown in our objectives table on page 8–10.



#### Global Reporting Initiative (GRI)

We utilise the Global Reporting Initiative reporting standards (GRI standards) to ensure our communications are clear and consistent across our ESG reporting. Our reporting is aligned with our material aspects, and the required information is disclosed with our Sustainability Report and separate detailed Data Centre. Details of our GRI reporting, including relevant standards, can be found within our Data Centre document shared on our website.



#### Sustainability Accounting Standards Board (SASB)

The SASB standards and guidance support us in reporting on material issues within our industry and additional material issues for our operations, providing an additional layer of standardised reporting. All relevant SASB metrics are listed on page 5 and fulfilled across the Sustainability Report and Data Centre.



#### Sustainable Development Goals (SDGs)

The Sustainable Development Goals enable us to view our performance and strategies with a global lens. These globally recognised goals propel the move towards a fair and sustainable future for all. Further information on our alignment and ambitions in line with the Sustainable Development Goals can be found on page 8–10.



#### Taskforce on Climate-related Financial Disclosure (TCFD)

TCFD focuses on our actions regarding recognising and mitigating risks related to climate change. Our disclosure considers the physical, liability, and transition risks associated with climate change, together with what constitutes effective financial disclosure. Details of this can be found within our Governance section.

## ESG objectives

# Targeting responsible performance

## Our contribution to the United Nations Sustainable Development Goals

SMS strategy	Supporting Frameworks		SMS objective	SMS targets	Performance indicator	2022 Performance	2023 Performance	
	SDGs	UN Global Compact Principles						
<b>Putting people first:</b> To create a sustainable and safe environment for all, nurturing a thriving workplace and business that supports wider society. We ensure diverse, inclusive environments and promote wellbeing, whilst empowering communities to take control of their carbon footprint and tackle local and global issues.	  	<b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights;	Work with our employees to drive down our injury rate.	Year on year reduction in injuries.	Lost Time Injury Rate (LTIR).	0.21	0.30	
		<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; and				Total Recordable Injury Rate (TRIR).	0.74	1.03
		<b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation.	Reduce Gender Pay Gap.	Continue to provide visibility of our equality, diversity and inclusion practices. Ensure everyone within SMS is provided with equal opportunity and protected from discrimination.	1 Annual Gender Pay Gap Report per Year (with accompanying narrative).	<ul style="list-style-type: none"> <li>22.4% Mean Gender pay gap in hourly pay</li> <li>Gender Pay Gap report released.</li> </ul>	<ul style="list-style-type: none"> <li>19.5% Mean Gender pay gap in hourly pay.</li> <li>Gender Pay Gap report released.</li> </ul>	
		Continually review and improve provision of comprehensive, competitive and equitable reward and benefits and ensure all employees are paid at least the Real Living Wage.	Continue our external benchmarking, including progressing our Investors in People and Best Companies status.	Continually improve our 'Best Companies' performance.	<ul style="list-style-type: none"> <li>Investors in People Silver award.</li> </ul>	<ul style="list-style-type: none"> <li>Progressed from 'One to Watch' to 'One star' Best Companies status.</li> </ul>		



**Good Health and Well-being:** Ensure healthy lives and promote well-being for all at all ages.



**Gender Equality:** Achieve gender equality and empower all women and girls.



**Decent work and Economic Growth:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

## Our ESG objectives continued

### Our contribution to the United Nations Sustainable Development Goals

SMS strategy	Supporting Frameworks		SMS objective	SMS targets	Performance indicator	2022 Performance	2023 Performance
	SDGs	UN Global Compact Principles					
<b>Sustainable futures:</b> Inspired by our core value of 'Sustainability', we are leading the UK's transition to a low-carbon future; supported by committing to a net-zero target of 2030. We assist our clients and wider consumers with their carbon reduction journeys through funding and delivery of sustainably-focused services.	 	<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges;  <b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility; and  <b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies.	Reduce environmental impacts across our operations in line with our Net Zero roadmap.	Support UK energy users in better understanding their energy use through the installation of smart meters.	Smart meter assets.	2,108,000	2,492,772 <a href="#">▶ Find out more on page 23.</a>
				Support the stability of the UK electricity grid and enable entry of low carbon generation sources through growing our BESS capacity.	MW operational.	140	240 <a href="#">▶ Find out more on page 23.</a>
				Decrease emissions per vehicle of our fleet by 50% by 2025 compared to 2019 baseline.	Kg CO <sub>2</sub> e/ vehicle.	5% Decrease.	2% Decrease. <a href="#">▶ Find out more on page 18.</a>
				Decrease emissions per m <sup>2</sup> of our building estate by 40% by 2025 compared to 2019 baseline.	Kg CO <sub>2</sub> e/ m <sup>2</sup> .	34% Decrease.	37% Decrease. <a href="#">▶ Find out more on page 19.</a>



**Affordable and Clean Energy:** Ensure access to affordable, reliable, sustainable and modern energy for all.



**Climate Action:** Take urgent action to combat climate change and its impacts.

## Our ESG objectives continued

### Our contribution to the United Nations Sustainable Development Goals

SMS strategy	Supporting Frameworks		SMS objective	SMS targets	Performance indicator	2022 Performance	2023 Performance	
	SDGs	UN Global Compact Principles						
<b>Operating responsibly and ethically:</b> To uphold our moral and legal obligations through responsible and ethical practices, ensuring the integrity and transparency of all our activities; from our supply chain to our people, our operations to our customers and wider society.		<b>Principle 2:</b> make sure that they are not complicit in human rights abuses;	Maintain all 5 ISO certified Management Systems:	Retain all 5 certifications.	ISO certifications retained.	100%	100%	
		<b>Principle 4:</b> the elimination of all forms of forced and compulsory labour;	9001, 45001, 14001, 50001, 27001.					<a href="#">▶ Find out more on page 49.</a>
		<b>Principle 5:</b> the effective abolition of child labour; and <b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.	Engage Tier 1 vendors to identify ISO14001 status, Work with key vendors to obtain improvements within their ISO14001 accreditation or their environmental policy.	90% of Tier 1 vendors to hold ISO14001 or a robust Environmental policy by 2025.	Tier 1 vendors with ISO14001 or Environmental Policy.	88.1%	95.83%	<a href="#">▶ Find out more on page 53.</a>
			Maintain zero cyber security breaches.	Data Exfiltration of Personal Identifiable Information (PII).	0 Cyber Security Breaches Data Exfiltration.	0	0	<a href="#">▶ Find out more on page 52.</a>



**Peace, Justice and Strong Institutions:** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

## ESG ratings

# Our ESG performance

We continue to pursue best practice within our ESG processes and disclosures, evolving in line with our specific material issues and business changes, and ensuring relevant information is available as ESG rating methodologies develop.

We have achieved a number of industry leading results, as we continued to see our efforts reflected in our improved ESG scores and have sought to engage with new and existing partners.

In line with our strategic focus, since commencing active disclosure we have seen significant uplift in our ESG ratings we:

		Rating
	<b>Sustainalytics</b> – Substantial jump in our Sustainalytics score from 26.6 to 11.5.	<b>11.5</b>
	<b>MSCI</b> – continued to improve supporting scores in 2023 from 7.1 to 7.4 from MSCI, maintaining an 'AA' rating.	<b>AA</b>
	<b>S&amp;P Global</b> – maintained a high S & P Global score at 46, in the 92nd percentile.	<b>46</b>
	<b>Moody's</b> – following our latest profile review, our performance has increased to 53, with an 'A' rating for 'Carbon Footprint and Energy Transition'.	<b>A</b>
	<b>LSE/Refinitiv</b> – newly engaged in 2023, with an initial rating of B-.	<b>B-</b>
	<b>CDP</b> – maintained a 'B' rating on our Carbon Disclosure Project (CDP) submission.	<b>B</b>

**Science Based Targets** – worked on developing our first Science Based Targets, see page 16.

**UN Global Compact** – continued our commitment to the UN Global Compact, demonstrating alignment with the UN principles.

**TCFD** – continued to be a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) – more details on our TCFD activities can be found on page 57.

**Ecovadis** – commenced submitting to Ecovadis platform, attaining bronze medal.

**The Climate Pledge** – retained signatory status to The Climate Pledge, and we will retain our status with the UN Race To Zero campaign once we make our SBTi commitment, demonstrating our Net Zero ambition and achievements.

**Hellios** – continued to submit to Hellios, a Financial Services Qualification System (FSQS).

# Sustainable futures

A greener, more sustainable future is at the core of our business and is the fundamental basis of our services as we work together to achieve smarter, low-carbon energy and systems with our clients.

This purpose is echoed across our operations and is evident in our Net Zero 2030 carbon reduction targets.



## Environment introduction

# Environmental overview



SMS aims to lead the UK's transition to a low-carbon future, assisting our clients with their carbon reduction journeys through funding and delivery of sustainability-focused services."

**Charlotte Gregory**  
Head of Sustainability



Our positive impact on the wider environment continued to grow in 2023 with the expansion of our low-carbon smart energy services. Alongside these we persist with our operational environmental sustainability diligence, underpinned by our key strategies, ensuring we appropriately address our material aspects.



### Carbon emissions

Carbon emissions represent a significant material aspect for SMS and is therefore a focus area for efforts and reporting, supported by our Energy and Environmental Management systems and target of net zero carbon emissions by 2030. Openness and transparency is continually actioned through stakeholder engagement as an ongoing importance.



### Clean affordable energy

We are proud to support a greener energy landscape, and in line with our material aspect 'provision of affordable clean energy', we communicate an encompassing view of our company sustainability through our Handprint.



### Waste

Effective waste management is of ongoing importance for SMS, with focus on our key waste streams of meters and batteries. We continue to monitor our direct and indirect impacts with Hazardous materials on our materiality watch list.



### Biodiversity

We recognise the intrinsic value and long-term ecological significance biodiversity, seeing opportunities to improve biodiversity across our both our business and battery sites is a key area of ongoing importance for our organisation, as we strive to meet and exceed our legal and voluntary obligations.

## Embedded oversight and improvement

# Environmental governance and management

### Environmental governance

In 2023, environmental governance at SMS was overseen by the Health, Safety, and Sustainability (HSS) Committee.

The committee provided oversight to the Board to ensure that the Group adopted a consistent and comprehensive approach to environmental sustainability through the exhibition and promotion of transparent and responsible behaviours and practices, and through engagement with key stakeholders both internally and externally.

It was also supported by the ESG Working Group, comprising members of senior management across key supporting functions, to ensure appropriate oversight is embedded into our decision-making and within strategic planning and everyday processes. See our governance section for further details.

### Management systems

Our Energy Management System (EnMS) and Environmental Management System (EMS) are externally accredited to ISO 50001 and ISO 14001.

Retention of these standards confirms that our systems strive towards best practice and align with the transformation and decarbonisation of the UK's energy networks. Our EnMS achieves this by providing a framework of policy, procedures, monitoring, and targets which enable us to identify and realise energy efficiency improvements across our organisation.

All full-time and part-time employees are provided energy and environmental training as part of their induction to ensure employees are aware of their responsibilities, enact best practice, and are able to carry out their work in accordance with our energy and environmental policies. We strive to continually reduce our impact on the environment and set annual targets to reduce our emissions through improving energy performance across our operations.

### Extending our management systems

During 2024, we have planned to conduct an ISO 14001 for Environmental Management and ISO 50001 for Energy Management gap analysis across our operational battery sites to establish any actions to be completed prior to bringing these into scope. These unmanned sites represent a new and growing area of our business, and we are keenly aware of the opportunities delivered by incorporating these into the processes, such as monthly energy monitoring.

### Under our management systems we have:



Documented roles and responsibilities with managerial or board level responsibility for environmental issues, including actions to ensure continual improvement measures, performance records, and programmes.



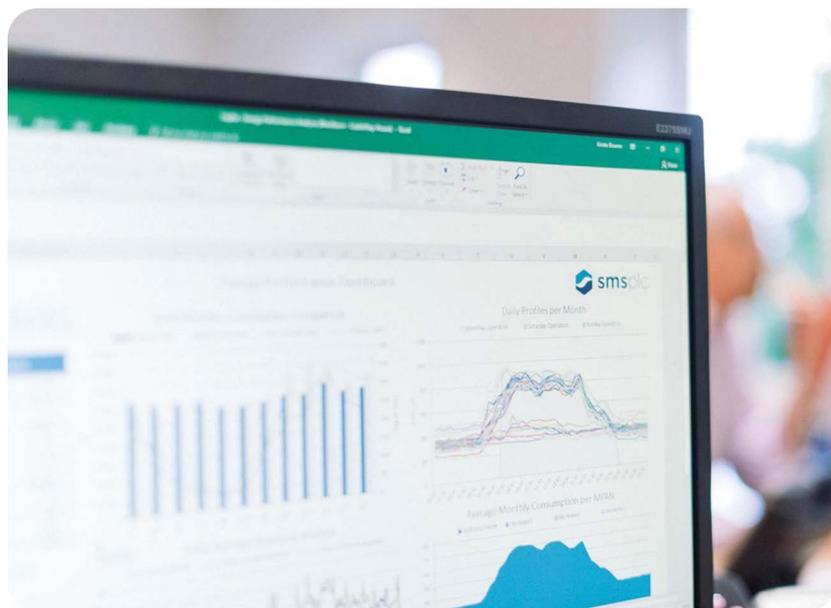
Identification of products, activities and services that have significant impacts on the environment, and subsequent monitoring and measurement to support our objectives, targets and deadlines.



Internal and external communications on environmental management issues.



Internal and external environmental audits to support our overall compliance with environmental regulation.

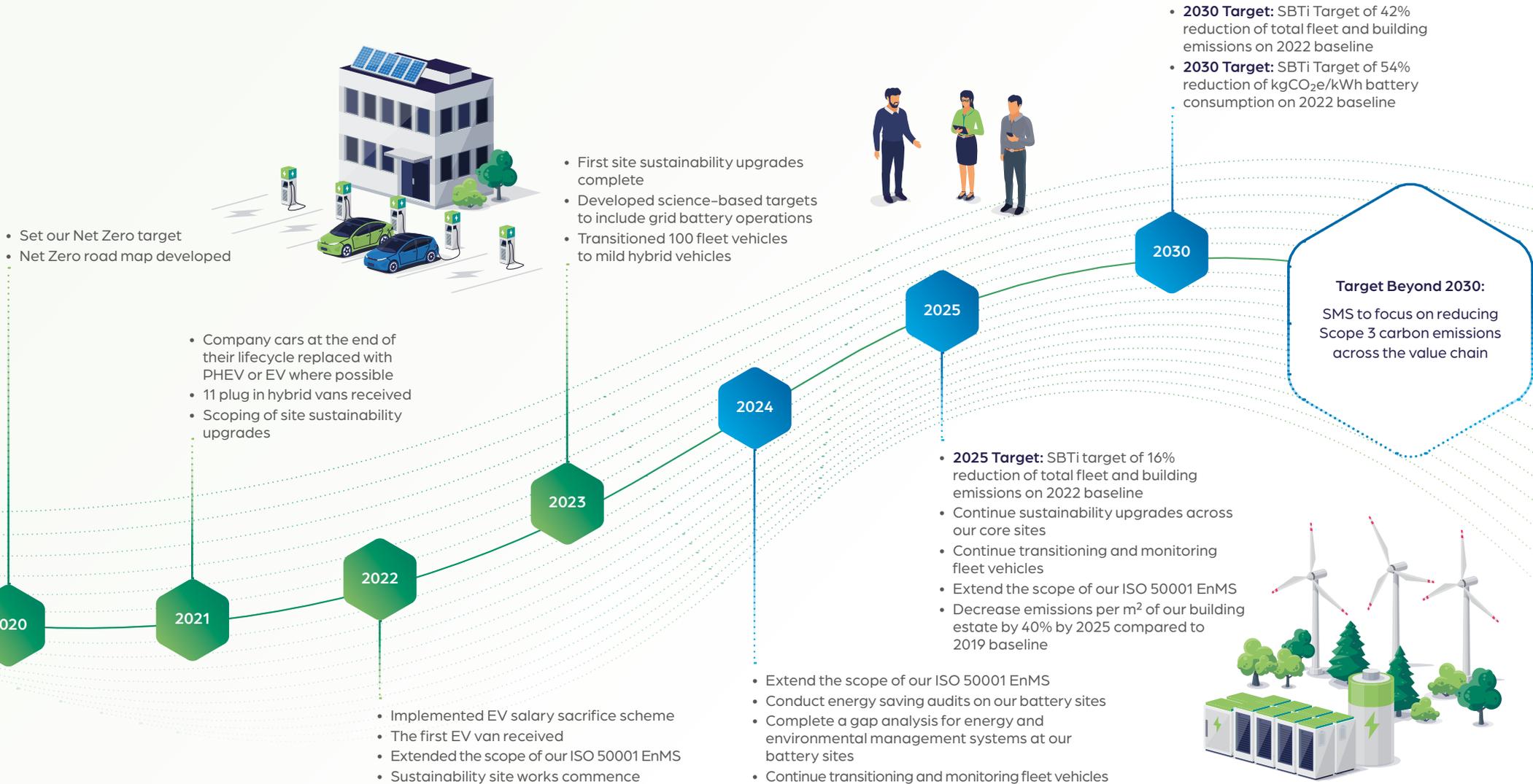


## Our net zero ambition

# Working towards a net zero future

This year we have reviewed our net zero ambitions with respect to our growing grid battery capacity and have established an intensity-based target to align with our Net Zero fleet and buildings ambitions.

We have updated our roadmap to reflect the inclusion of battery operations and move to science based targeting methodology.



## Our net zero ambition continued

### Science-based targets

Science-based targets give companies a clearly defined path to reduce greenhouse gas emissions in line with limiting global warming to 1.5°C. They define how much and how quickly a business must reduce its emissions to be in line with the Paris Agreement goals.

### Science Based Targets initiative

The Science Based Targets initiative (SBTi) is a globally recognised organisation supporting development and validating science-based targets, providing companies with tools and guidance.

SBTi require the following steps to validate a science-based target:

1. Register online and submit the commitment letter
2. Develop a target
3. Submit your target for official validation
4. Announce the validated target
5. Disclose your progress

We have utilised the tools provided to review our significant emissions sources and trajectories up to our 2030 target and established that we are confident we can achieve the requirements.

### Projecting our BESS emissions

For SMS, the main factor in achieving this is our battery operations and sold electricity, which will predominantly track with UK emissions factors. For our target development, we have utilised the DESNZ Energy and Emissions Projections 2021–2040 to map our expected emissions from the baseline in 2022 through to the target year in 2030.

On this basis, ahead of the verification process with SBTi, we have provisionally projected a target for 2024 of a -3% reduction for our battery intensity (kg CO<sub>2</sub>e/kWh), with a total intensity reduction of over 50% by 2030.

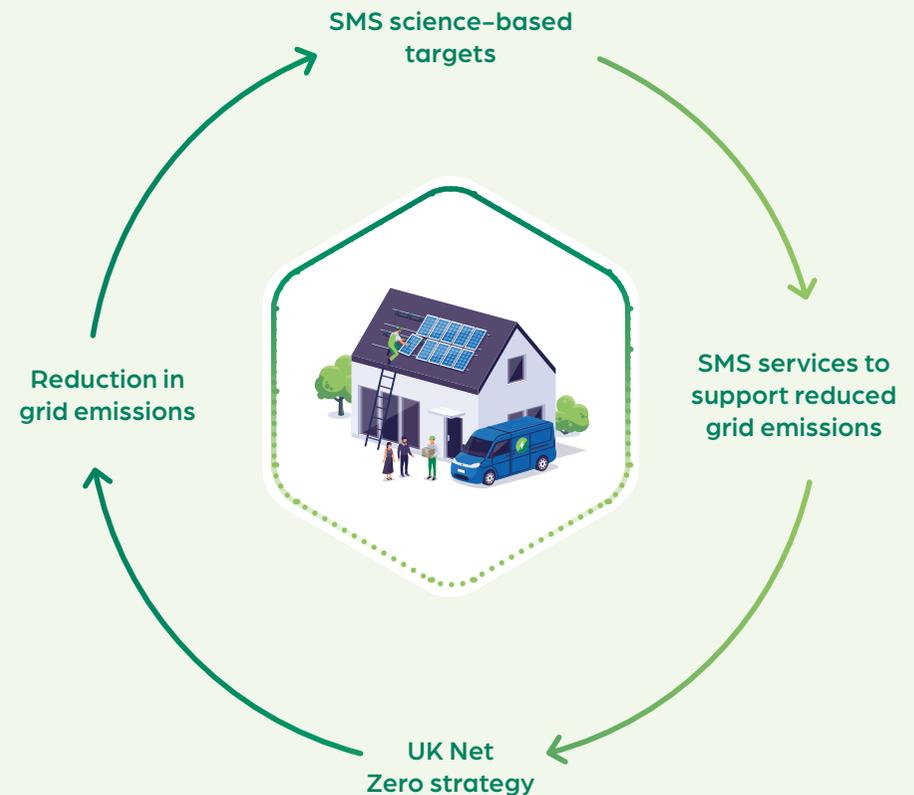
### Targeting Net Zero

Our encompassing targets align with the trajectory required to limit global warming to 1.5°C and are based on science, in line with the Science Based Target Initiative (SBTi) requirements. This includes an intensity-based reduction for our battery operation of -3% based on kgCO<sub>2</sub>e/kWh, reflecting the growing profile of battery capacity within our business.

Across our fleet and buildings, we retain our absolute target encompassing scope 1 and 2 carbon emissions that derive from operating our buildings and the fuel consumed by our tracked fleet. With a 2030 absolute contraction in our fleet and building emissions by 42% on our 2022 baseline, aligning with the trajectory required to limit global warming to 1.5°C.

## Integrated carbon reduction

Our actions as a business to deliver this reduction target are intrinsic to driving towards a low-carbon grid and reflect our key services, including CaRe and metering, which support the strategies laid out in the UK Fifth Carbon Budget and underpin the related grid emissions projections. In addition to this, we will see further efficiency gains under our current Net Zero roadmap and planned future incorporation of our battery sites into our Energy Management System (ISO50001).



## Our net zero ambition continued

# Grid-scale battery energy storage

In January 2022, our first grid-scale Battery Energy Storage Site (BESS) was energised. These sites now represent a large proportion of our business activities, capital, and emissions (approximately 90%). Grid batteries are critical to improve the adoption of cleaner renewables across the UK, reducing reliance on fossil fuels, and helping to bolster system resilience and flexibility as we come to rely on more intermittent forms of generation.

82%

reduction in Global Warming Potential supported by battery storage

53%

reduction from grid average emissions when using 'time of use' analysis

Our batteries achieve this by delivering a range of balancing and ancillary services to the National Grid – services which will be increasingly essential as we move to greater renewable energy sources and the electrification of our heating and transport systems, placing more demand than ever before on our electricity system. By facilitating much higher levels of lower-cost solar and wind generation and helping to avoid the need for future costly investments to reinforce grid capacity, battery storage helps reduce the UK's carbon emissions and contribute to a more affordable energy system for consumers. Early indications project that battery storage could support an 82% reduction in the 'Global Warming Potential', also known as emissions intensity, of the UK electricity grid by 2040.

## Increase in UK emissions factor

In 2023, in addition to seeing an increase in our electricity emissions due to increased capacity, we have experienced an increase in the factors used to calculate related emissions. These factors, shared by the UK government, represent the emissions from two years earlier, which saw a 7% year-on-year increase. The contributing factors include a 9% decrease in renewable sources due to weather conditions and a 1% increase in electricity demand in 2021 compared to 2020, leading to fossil fuel generation increasing by 11%, ultimately resulting in the increased UK electricity emissions factor for 2023.

## Carbon accounting

We account for the carbon associated with operating our battery sites using a location-based grid average emission factor. This reflects the average amount of renewables, nuclear, and fossil fuels contributing to our electricity in the UK across the year and is a standard figure released by the UK Government's Department for Energy Security and Net Zero (DESNZ) each year. During 2023, we calculated 'time-of-use' figures, which utilize the National Grid Electricity System Operator (ESO) data for energy mix, providing granular increments enabling a true reflection of carbon intensity of the grid based on renewables, nuclear, and fossil fuels in use at the time of charging and discharging our batteries.

Having assessed the difference between 'grid average' and 'time of use' reporting methodologies, we have found a reduction in emissions intensity. This is reflective of a more accurate match of the time the energy is charged and discharged, with regional emissions intensity. We will continue to monitor this as we leverage different markets for our grid battery services, such as balancing or wholesale trading.

## Increasing efficiency

We are aware that all batteries have inherent energy losses during operation. This is captured in our scope 2 emissions, and we are committed to continually improving the efficiency of our battery storage. We persistently look to apply the carbon hierarchy to Avoid, Reduce, Substitute, and Offset emissions until the grid is decarbonised. Our battery-related emissions are included in our intensity-based metric aligning with the Science Based Target Initiative (SBTi) for this growing area of our business. Throughout 2024, we will be conducting energy surveys in line with the Energy Saving Opportunities Scheme (ESOS) and working towards implementing our accredited ISO50001 Energy Management system at sites.

## Our net zero ambition continued

# Our fleet

SMS has a dedicated fleet management team which manages all aspects of the operational and strategic running of our fleet. Our fleet management is supported by our integrated management systems which include health, safety, environmental and quality ISO systems, and our ISO 50001 energy management system.

### Deploying hybrid and electric vehicles

We have made great strides in embracing new low carbon technologies into our vehicle fleet. Through the trial of 11 Plug-in Hybrid Electric Vehicles (PHEVs) in 2022, it was established that Mild-Hybrid Electric Vehicles (MHEVs) represent the next step towards full EV adoption for our fleet vehicles. MHEVs use a battery-powered electric motor in support of a conventional petrol or diesel engine to improve fuel economy and reduce emissions. During 2023, we deployed 100 MHEVs and operated one full EV van from March, utilising a company-installed charge point. Additionally, we have two Mercedes full EVs which will be deployed following the installation of home charge points, a process being completed by internal teams. This continues to demonstrate progress against our net zero roadmap, as these vehicles will allow us to improve the efficiency of our fleet before transitioning fully to zero-emission vehicles.



### Understanding our performance

To support the increase in metering operations, the average number of fleet vehicles increased to over 550 in 2023. With vehicle activity of approximately 1.5 million additional miles compared to 2022 operations, we have seen an increase across our key energy performance indicators. However, there has been a positive change in our energy use per mile of 2.4% in kWh/mile, indicating improved energy efficiency on a per-mile basis. This measurement removes the impact of increasing numbers of vehicles to assess the efficiency of movement, made possible by increased data quality.

In 2023 our objective was to decrease emissions per vehicle of our fleet by 50% by 2025 compared to the 2019 baseline of KgCO<sub>2</sub>e/vehicle, and we achieved a 2% reduction compared to 2019. Moving forward we will be utilising science based targeting (SBT) to assess our carbon reduction progress, as per our net zero roadmap. While we have clearly made significant strides in moving towards a low carbon fleet with our MHEV deployment, we have been disappointed in the progress of the UK EV charging network and EV vehicle offerings, which hampers our ability to transition at our desired rate. We continue to interact with vehicle providers and progress our own EV charger installation services to support improvement in these critical areas.

### Supporting EV charging access

In 2023, we became a verified member of ChargeSafe, the national network of UK Charge Point Operators (CPOs) committed to providing EV drivers with safe, reliable, and accessible public charging stations. Our white paper 'Powering up public EV charging' underlines the need for more convenient and secure charging stations to be established across the UK. Joining the UK's ChargeSafe

scheme demonstrates our commitment to providing accessible and easy-to-use public electric vehicle (EV) charging locations for all.

### Supporting fuel efficiency through monitoring

We recognise that our overall fuel efficiency is impacted by each vehicle's performance and individual driver behaviour. All our drivers are empowered with relevant training to ensure they are fully aware of their responsibilities when it comes to health, safety, and fuel efficiency.

Our dedicated fleet management team, who oversee the operational and strategic running of our fleet, monitor the performance of drivers to identify areas of improvement. In 2023, a new driver monitoring dashboard was launched. One aspect of this is a driver Scorecard report, which tracks a variety of driving characteristics and provides a red, amber, green score against these. Tracking certain driver behaviours like speed, braking and acceleration intensity, cornering, idle time, and over-revving offers numerous environmental benefits. By promoting smoother driving habits such as gentle acceleration and braking, fuel efficiency is improved, leading to reduced emissions of pollutants. Additionally, monitoring driving behaviours aids in early detection of mechanical issues, prolonging vehicle lifespan and minimising the environmental impact associated with manufacturing and disposing of vehicles. Overall, optimising driving behaviour conserves resources, reduces reliance on fossil fuels, and contributes to a cleaner, healthier environment, while also promoting safer and more sustainable driving practices.

The positive impact this new monitoring report has had on fuel efficiency is highlighted by the reduction in kWh per mile.

## Our net zero ambition continued

# Our buildings

Across SMS, we have a range of buildings spanning offices, warehouses, and a training centre. These are managed by a network of facilities coordinators and managers to support comfortable, safe, and compliant working environments.

Our building's energy consumption is monitored closely through our ISO50001 management systems and subsequent monthly energy reports. In line with our Net Zero target, we have an objective to decrease emissions per square meter of our building estate by 40% by 2025 compared to the 2019 baseline. During 2023, we achieved a reduction of 37%, on track with our target of 40% reduction by 2025. This achievement is based on a modernised and rationalised estate alongside Net Zero efforts. When looking at our energy usage across our buildings compared to our 2019 baseline, our consumption has reduced by 28%, with a reduction in electricity by 47% and a reduction in gas by 17%.

Moving forward we will be utilising science based targeting (SBT) to assess our carbon reduction progress, as per our net zero roadmap.

### Executing our Net Zero roadmap

In line with our net zero strategy, we have implemented a range of sustainability upgrades at the first of our core sites in Cardiff. This project has focused on reducing energy requirements through upgrading the building fabric to improve thermal performance, generating renewable energy with a capacity of ~30kWp of solar photovoltaic, providing a level of self-sufficiency with battery energy storage, and removing our reliance on gas by installing an air-source heat pump in Q3 2023. Alongside these physical interventions, we have implemented highly sophisticated thermostatic control software, which utilises bespoke zoned temperature settings, individual radiator-mounted WiFi controls, and remote monitoring alongside a wide range of energy management tools. This project is expected to reduce building emissions by up to 70%, exceeding Science Based Target requirements, and will serve as a blueprint for upgrading modest office buildings to achieve significant decarbonisation and climate change adaptation.



#### Case study

#### Heat pump

During Q3 2023 we have replaced our gas fired boiler with a set of five Daikin air source heat pumps. This new system retrofitted on to the existing heating circuit and complemented the renewable energy supplied by our solar and battery system.

The building is now independent of fossil fuels through the removal of gas, and the use of 100% green electricity contracts.

Reduced total building emissions by

# 35%

on baseline 2019.

Cardiff office upgrades have already achieved

# 14%

year on year reduction in electricity, over 24% on the 2019 baseline, and has completely moved away from gas use.

## Our footprint

# Emissions reporting

### Our footprint is the carbon produced by our operational activities.

We utilise the internationally recognised GHG Protocol to ensure comprehensive and standardised data calculations. Our reporting covers all emissions from our business activities, and all sites and operations during the calendar year 2023. The full methodology can be found on our website. Our Scope 1 calculation looks at the energy consumed by our fleet vehicles, gas consumed across our offices, warehouses, and training centre, and fugitive emissions from air conditioning. Our Scope 2 calculation looks at our electricity consumption. Scope 3 accounts for the emissions generated within our value chain.

In line with our vision 'To be at the heart of the low-carbon smart energy revolution', we are targeting mobilising balancing services to support grid stability and renewable entry onto the UK electricity network.

During 2023, we had an operational battery capacity of 240MW, representing 10% of the total UK market, with a target to maintain this 10% market share in 2030 to ensure this critical aspect of UK energy infrastructure is a success. Our two further battery assets energised this year represent a total

capacity of 100MW. As a result, the landscape of our business emissions continues to change dramatically in line with the high volume of energy required to operate these sites. Our battery-related emissions now represent the largest proportion of our overall emissions,

and we expect this to grow as our battery estate continues to increase. As this service supports the UK's level decarbonisation of the grid, we expect to see a sustained reduction in emissions intensity, which is reflected in our science-based target.

**The table below incorporates our mandatory Streamlined Energy and Carbon Reporting (SECR) reporting, together with material voluntary disclosures. In 2023 we re-evaluated our material outputs and set a materiality threshold of 1% which supports the communication of significant aspects, alongside improved representation of strategic focus.**

Full details can be found in on our website within our Reporting Methodology which can be found alongside our Assurance Report, which covers Scope 1, 2 and 3 carbon reporting, ensuring accuracy and completeness.

	2023	2022	2021	Commentary
<b>Total Scope 1 (TCO<sub>2</sub>e)</b>	<b>3,388.1</b>	<b>3,140.6</b>	<b>2,122.0</b>	<b>Scope 1 comprises the direct emissions from our operations.</b>
Company-owned vehicles	3,283.2	3,054.9	1,988.0	Our owned and tracked fleet vehicles.
Gas	64.6	69.3	78.5	Gas heating serves six of our properties across the UK.
F-gas	40.3	16.4	55.5	F-gas is the refrigerant used in air conditioning for cooling workspaces and server rooms.
<b>Total Scope 2 Location-based (TCO<sub>2</sub>e)</b>	<b>4,143.7</b>	<b>1,233.2</b>	<b>190.6</b>	<b>Scope 2 comprises the indirect emissions associated with our operations.</b>
Electricity (Buildings)	109.9	122.0	137.5	Electricity lights, heats and powers our operations across warehouses, offices and training centres in the UK and Ireland.
Electricity (Battery sites)	4,032.1	1,111.2	53.1	Net electricity used to operate cooling and communication systems at our grid battery site.
UK electricity for EVs	1.7	-	-	1 electric van was added to the fleet and trialled during 2023.
<b>Total Scope 2 Market-based (TCO<sub>2</sub>e)<sup>1</sup> (including green energy contracts)</b>	<b>7,201.4</b>	<b>2,100.5</b>	<b>173.4</b>	<b>We source green contracts for our electricity where possible.</b>

## Our footprint continued

### Emissions reporting

# 10%

of UK's Grid Scale Battery Capacity

# 35%

reduction in building emissions since 2019 baseline (scope 1 and 2 location based)

# 2%

reduction in fleet emissions per vehicle since 2019 baseline

	2023	2022	2021	Commentary
<b>Total Scope 3 (TCO<sub>2</sub>e)</b>	<b>19,897.8</b>	<b>4,224.7</b>	<b>996.5</b>	<b>Scope 3 comprises are emissions from up and down our value chain, including those of suppliers and service providers.</b>
<b>Category 3: Fuel- and energy-related activities (not included in scope 1 or scope 2)</b>				
Diesel upstream supply <sup>1</sup>	785.6	715.3	482.6	Upstream emissions for the production of diesel to supply company-owned fleet.
Petrol upstream supply <sup>1</sup>	14.8	15.5	0.0	Upstream emissions for the production of petrol to supply company-owned fleet.
Transport and distribution <sup>1</sup> electricity <sup>1</sup>	358.3	112.8	16.9	Upstream emissions of purchased electricity for battery operation and on our warehouses, offices and training centres.
Generation of purchased electricity that is sold to end users <sup>1</sup>	17,958.5	2,949.0	0.0	Upstream emissions of purchased electricity for our BESS which is sold back to the grid.
<b>Category 6: Business travel</b>				
Vehicle business travel	426.9	57.9	27.5	Business travel in employee-owned vehicles.
<b>Category 7: Employee commuting</b>				
Employee Teleworking <sup>1</sup>	353.6	374.2	469.5	The associated carbon emissions from energy used to power office equipment and for heating by employees working from home.
<b>Total Scope 1, 2 &amp; 3 (TCO<sub>2</sub>e) (Scope 2 Location-based)</b>	<b>27,429.5</b>	<b>8,598.5</b>	<b>3,309.1</b>	
Carbon intensity Scope 1, 2 (TCO <sub>2</sub> e/£m)	45.7	32.3	21.3	Shows the amount of emissions produced to achieve the revenue realised, per £m.
Carbon intensity Scope 1, 2 & 3 (TCO <sub>2</sub> e/£m)	167.3	63.7	30.8	Shows the amount of emissions produced to achieve the revenue realised, per £m.
Operational energy consumption (MWh)	34,109.8	19,446.5	9,728.9	This is the total energy consumption of our operations, spanning activities included in Scope 1 and 2 (excluding F-gas).

<sup>1</sup> Data disclosure is voluntary under SECR, but included for completeness of Scope reporting under the GHG Protocol. As our business grows, we are developing our ability to decouple operational growth and energy consumption.

<sup>2</sup> Following the re-evaluation of our material outputs, our previous years totals have subsequently changed. The original figures can be found in the data centre on our website.

## Our footprint continued

# Emissions changes explained

2023 has been another year of continued growth and evolution within SMS and we have seen these changes reflected across our emissions.

### Emissions change key

- ▶ Unchanged
- ▼ Decreased
- ▲ Increased

## Scope 1: Direct emissions

- ▲ **Fleet:** 3,283.2 TCO<sub>2</sub>e Fleet active vehicles have increased 4.2% and covered an additional ~1.5million miles to support metering operations. Although we have seen an increase in year-on-year fleet emissions, we have seen a positive change in our energy use per mile of 2.4% kWh/mile.
- ▼ **Gas:** 64.6 TCO<sub>2</sub>e Gas consumption reduced 7%, following the installation of Air Source Heat Pumps in Q3 2023, at our net zero building office; Prennau House.

## Scope 2: Indirect emissions

- ▼ **Buildings Electricity:** 109.9 TCO<sub>2</sub>e (Location based) Reduced by 16% over the year as we further rationalised our estate and saw the benefits of proactive energy management and harnessed the solar PV from 2 of our sites.
- ▲ **Battery Electricity:** 4,032.1 TCO<sub>2</sub>e (Location based). In 2023 SMS mobilised a further 100MW of battery capacity and supported the grid by supplying almost 87,000 MWh in balancing and ancillary services, which are essential to support the integration of renewables onto the Grid.
- ▲ **Electricity:** 7,201.4 TCO<sub>2</sub>e (Market based) We have continued to source 100% renewably generated electricity for our owned sites. Our battery consumption is not able to be covered by renewable energy contracts, as trading is directly with wholesale markets and National Grid, operating in the very short-term markets, day ahead and intraday, which removes the option to align directly with energy based purely on its provenance.

## Scope 3: Value chain emissions

- ▲ **'Well to tank' Diesel:** 785.6 TCO<sub>2</sub>e Upstream production of Diesel has been impacted by our increased fleet size and activity.
- ▲ **Business travel:** 426.9 TCO<sub>2</sub>e Increased business travel in 2023 can be attributed to two factors; 1) 2023 was the first 'normal year' since the Covid pandemic, so more frequent business travel took place. 2) Greater availability of source data.
- ▲ **'Transport and distribution' Electricity:** 358.3 TCO<sub>2</sub>e Upstream production of electricity, 97% of which attributed to maintaining the operation of our grid battery sites, with the remaining 3% attributed to the usage from our buildings.
- ▲ **'Generation of purchased electricity that is sold to end users':** 17,958.5 TCO<sub>2</sub>e Increased as we continue to mobilise further battery sites, increase our battery storage capacity and support the grid with our BESS balancing and ancillary services.
- ▼ **'Well to tank' Petrol:** 14.8 TCO<sub>2</sub>e Upstream production of Petrol to supply our fleet vans and reflect the petrol hybrid vehicles in our fleet.
- ▼ **Employees Teleworking:** 353.6 TCO<sub>2</sub>e 5% reduction following confirmed business strategy implemented for 2023 outlining that desk-based employees are to only work from home 3 days a week.

## Mitigating emissions

# Our 'handprint'

We are proud to support a greener energy landscape, and in line with our material aspects – carbon emissions and provision of affordable clean energy – we take a holistic view of our company sustainability. This includes quantifying both the positive impacts from our products and services (our handprint) and the negative impacts from our business operations (our footprint).

We use this 'net positive' perspective to align our strategy for business growth, financial benefits, and sustainability gains: investing in the development of assets and services that deliver carbon reductions for our customers and their end consumers. Our 'handprint' represents the carbon mitigation achieved by our customers through the impact and delivery of our energy services and solutions, such as smart meters. We have objectives to 'Support UK energy users in better understanding their energy use through the installation of smart meters' by increasing our smart meter assets and 'Support the stability of the UK electricity grid and enable entry of low carbon generation sources through growing our BESS capacity' by increasing our megawatts of operational BESS. In 2023, we successfully increased our smart meter assets by 18% and our operational BESS by 100MW. We use savings data from smart meter energy research and from delivered energy efficiency projects to calculate our total handprint.

### Grid battery impacts

During 2023, we sought to understand the quantitative benefits of our BESS operations as they support the grid capability to increase intermittent renewable sources of energy. Early indications project the benefits of battery storage to be supporting up to an 82% reduction in the 'Global Warming Potential', also known as emissions intensity, of the UK electricity grid by 2040. As data quality increases in this area, we will look to include this within our handprint to better represent our full impact.

### Increasing the UK's renewables

In 2023, we acquired Evergreen Energy, which specialises in the installation and maintenance of renewable energy assets, including heat pumps, solar, and battery storage for homeowners. We will look to incorporate the positive impacts of these carbon-mitigating services into our next reporting cycle to further represent our holistic sustainability impacts.

### Smart Meters<sup>1</sup>

71,474 TCO<sub>2</sub>e

### Energy Projects<sup>2</sup>

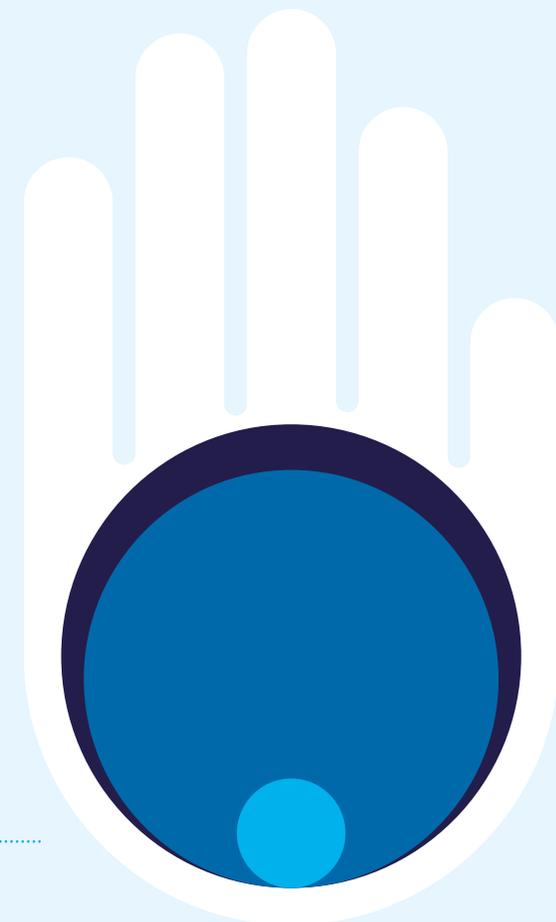
5,380 TCO<sub>2</sub>e

### Total Handprint

76,854 TCO<sub>2</sub>e

1 Derived from annual savings on domestic property consumption as a result of the installation of a smart meter, including the flow through impact of installations completed in a previous year. Figure is calculated based on the number of domestic smart meters under management at 31 December 2023, including third party managed assets.

2 Derived from energy savings achieved by customers as a result of energy efficiency projects delivered by SMS including the flow-through impact of projects delivered in a previous period.



## Reuse and recycling of our products

# Our part in the circular economy

We are aware of the waste streams produced by our business and, in line with our corporate values, ISO14001, and the waste hierarchy, we endeavour to reduce, reuse, and recycle where possible. Waste is an ongoing importance under our materiality assessment, and consequently, we are diligent in our actions in this area. Our main sources of potential waste at SMS are our returned meters and from our battery assets, where we have established recycling processes in place.



### Meter refurbishment

For every retrofitted smart meter, we ensure that the resulting removed meter is safely and responsibly managed to ensure the materials maintain their useful life. We handled over 995,000 assets of returned meters in 2023, of which around 58% are owned and returned to 3rd parties, with the remaining meters being SMS assets. These SMS assets include both domestic and I&C meters and are returned to us via two triage partners who are specialists in the refurbishment and recycling of both electric and gas meters. Reusable meters are carefully refurbished at fully equipped and certificated meter testing facilities, where they are reprogrammed and tested for all types of electric meters. A number of testing, cleaning, calibration, and programming activities are performed to ensure all meters are safe and accurate, ready for redeployment. In 2023, our triage partners assessed over 70,000 SMS meters, with 42% subsequently returned to our Hoyland warehouse as reusable stock. Not only does this avoid waste, but it also supports the circular economy, ensuring these meters retain their material value and purpose even after they have been used.

### Battery cell recycling

Our batteries are sourced under agreements with suppliers that the battery cells are returned at the end of life to the manufacturer for recycling. Our suppliers either own battery recycling plants or work with third parties to ensure these materials are retained in the value chain. This process is called the 'circular economy', and by working with our suppliers in this way, we are able to limit environmental impact. The recycling processes used include the review and 'cascaded utilisation' of serviceable batteries, where batteries returned in good condition can be redeployed for lower-quality applications. Batteries returned to the supplier in poor condition are dismantled, the metals are processed back into raw materials, and returned to the manufacturing cycle. As our supplier processes and relationships mature, and as our own battery sites come online, we will continue to look at the environmental impact of the full lifecycle of batteries and how we account for these in our carbon reporting.

## Biodiversity

# Improving our natural environment

SMS recognises improving biodiversity across our sites as an ongoing importance. Improving biodiversity can also protect ecosystems and build resilience to extreme weather events brought about by climate change.

We are aware of the development of the Taskforce on Nature-related Financial Disclosures (TNFD), which provides voluntary guidance on risk management and disclosure framework to act on evolving nature-related dependencies, impacts, risks, and opportunities. The TNFD disclosure framework consists of conceptual foundations for nature-related disclosures, a set of general requirements, a set of recommended disclosures structured around the four recommendation pillars of governance, strategy, risk and impact management, and metrics and targets. Early indicators of our approach to these aspects are outlined below.

### Governance and strategy

Our battery site development and construction processes are overseen by our dedicated team and external contractors to ensure appropriate consideration is given to our biodiversity obligations. Our teams work alongside landowners and ecologists to assess opportunities and implement improvements where possible.

### Impact management and targets

While battery sites are required to be clear and closely controlled for health, safety, and security reasons, we have focused on delivering biodiversity and environmental positive outcomes when possible. We are aware that under the updated Environment Act 2021, all planning permissions granted in England (with a few exemptions) will have to deliver at least 10% biodiversity net gain, expected to commence in Q1 2024.

Net Gain is calculated via specific government-provided tools which use habitat as a proxy for biodiversity, with a primary application to provide planners and developments with a method of establishing how much ('units') and what type of habitats should be created or enhanced to ensure that the impacts of developments do not result in a net loss of biodiversity. While we continue to complete projects approved before the legislation commencement date, we will ensure all planning-stage sites meet this requirement moving forward. We already have a flagship site, which demonstrates the gains that can be achieved when working with landowners to deliver significant gains.

### Case study

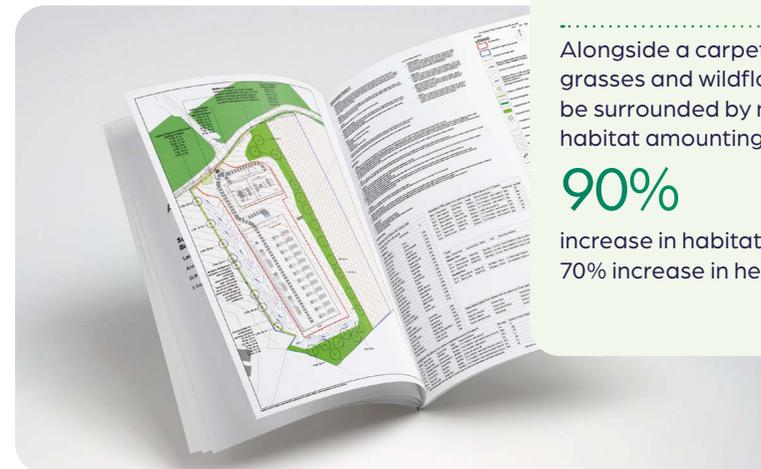
#### Newtonwood

We have worked with our site landlord and third-party ecologists to design a range of biodiversity interventions onsite which deliver significant Net Gain. The site, which sits just outside Newton in Warwickshire, will benefit from new woodland habitat creation along the entire southern and eastern boundary, totalling over 900 new trees planted. The diverse native mix of trees is supplemented by reinforced and replanting of the hedgerow on the north and west boundaries, which support further 'hedgerow timber' where trees are planted along a hedgerow to create a unique habitat and create links between for nature.

Alongside a carpet of new meadow grasses and wildflowers, the site will be surrounded by newly created habitat amounting to

**90%**

increase in habitat 'units' and over 70% increase in hedgerow 'units'.



## Stakeholder environmental engagement

# Internal and external communication

### Engagement

Our engagement practices serve a range of stakeholders, from employees to ESG agencies and investors to our communities, utilising a range of channels to effectively communicate, such as direct emails, our website, events, data submission platforms and social media. We have continued our efforts, aiming to give further transparency of our operations and aspirations.



### Internal communication

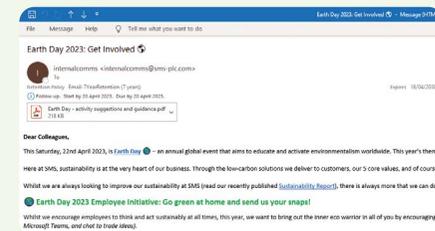
We continued to improve our internal communication on key performance indicators with the development and sharing of a quarterly energy dashboard, part of the continual improvement under our ISO50001 Energy Management System. This dashboard communicates our energy performance with key stakeholder within the business, giving details of our performance against targets, key activities, and notable impacts.



### Employee dialogue

We supported Earth Day, an annual global event that aims to educate and activate environmentalism worldwide. Our employees were encouraged to take part in a photo competition aimed at trying some simple, fun activities to help 'InvestInOurPlanet' for a chance of winning a £25 voucher. Suggested activities spanned from making simple energy-saving changes to avoiding single-use plastics and growing your own food.

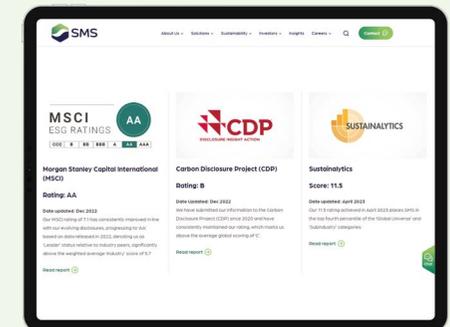
In addition, later in the year, we ran our Energy Saving Tips Session via Teams designed to support employees as the UK energy affordability challenges continue. The session included advice on equipment and controls, habits and approaches, and simple savings examples delivered by our in-house Energy and Sustainability Team.



### External communication

We are continually increasing our engagement with external stakeholders through our ESG rating organisations, increasing our direct communications with newly engaged EcoVadis, and continuing our participation with Heliios (FSQS) through their submission platforms, ensuring our existing ratings are improved through relevant disclosures.

These platforms ensure appropriate and consistent representation to our clients and customers.



# Social

At SMS, we strive to create a supportive, safe, and innovative environment where customer excellence is prioritised and employees are proud. Our aim is to foster a thriving workplace and contribute positively to society. We promote diversity, inclusion, and wellbeing while supporting communities through volunteering, fundraising, and empowering them to address local and global challenges.



## Social introduction

# Social overview



Our strategy is led by our purpose and values. By first investing in our people, and putting our customers and communities at the heart of what we do, we can continue to build long-term value for all our stakeholders."

**Judy Keir**  
Chief People Officer



As a large business we have a number of significant touchpoints for influencing social impacts internally and externally to our organisation. We are keenly aware of our responsibilities and have ensured that we communicate, and act appropriately on relevant material aspects.



### Equality, Diversity and Inclusion

As an organisation, we understand the importance and value that a diverse and inclusive workforce brings, and so EDI is highlighted as both an ongoing importance, and a strategic driver at SMS.



### Health and Safety

SMS is directly responsible for the health, safety and wellbeing of our employees and other stakeholders who may be affected by our activities such as contractors and the public. Our related material aspects include Occupational Health & Safety and Conflict & Security, which are both identified as ongoing importance in our matrix.



### Learning and Development

We are passionate about our people achieving their full potential and developing their skills and knowledge. Identified as an ongoing importance, these actions ensure we are engaging and retaining our workforce, alongside developing our organisational capabilities.



### Giving back

Engaging in our communities is ingrained in our ethics, and close to the hearts and minds of all of us at SMS. We empower our employees through the key themes of volunteering, fundraising, and supporting local education.

## Equality, diversity and inclusion

# Supporting all our people

Equality, Diversity & Inclusion (EDI) is a strategic driver and ongoing importance aspect for SMS, with increased support for EDI being led by our Board and senior management team. EDI is overseen at Board level, with updates shared by our Chief People Officer within the Health, Safety and Sustainability Committee.



As an organisation, we understand the importance and value that a diverse and inclusive workforce brings, and so we have continued to make significant strides in our EDI strategy. Promoting fairness and treating people equally across not just our company, but the communities we contribute to, and the wider society we live in, is something we feel incredibly passionate about as a business. In 2023 we targeted publishing our Gender Report, which was successfully completed in April, sharing a 19.5% Mean Gender pay gap in hourly pay, an improvement of 2.9% on 2022. This report enables visibility of our equality, diversity and inclusion practices.

### Embedded approach to EDI

Our EDI initiatives go beyond legal compliance and include diversity monitoring, employee affinity groups and networking groups. Our initiatives, which include mentoring and training, ensure we are supporting a diverse workforce and recruit from diverse talent. This is underpinned with managerial and board level responsibility. Our policies and code of conduct ensure consistency across all our activities and operations, within a range of related policies we outline our expectations around fair, equitable and ethical treatment for all. These policies are updated regularly and communicated to new starters and available at all times to all employees via our intranet.

### EDI training and guidance

During the year we have enabled over 150 employees to attend an encompassing hour EDI training session delivered by an external employment law specialist. The interactive and engaging session covered:

- Why Diversity & Inclusion is important for employees and our company;
- Purpose of legislation;
- Who is protected;
- The 9 protected characteristics;
- Notable case law examples;
- Potential consequences of discriminatory behaviour;
- Benefits of 'getting it right'; and
- Benefits of completing voluntary SMS EDI monitoring form.

Through discussing this information, new learning, and reinforcing existing knowledge, this was an opportunity to share best practice in the way that we treat diversity and inclusion within the workplace.



Finalists for Diversity & Inclusion via the UK Employee Experience Awards



Maintained Employers Network for Equality & Inclusion accreditation

## Equality, diversity and inclusion continued

### Supporting all our people

#### Diversity monitoring

We continued to prioritise diversifying our workforce and striving to create more opportunities for women in our industry so that we can attract, retain, and support our female employees through their careers with us. We are working towards this through the implementation of progressive policies, gender-balanced recruitment practices and investment in partnerships that ensure women have equal opportunities and the additional support they need to navigate life transitions like having children or going through the menopause.

We continue to promote the completion of our Equality, Diversity and Inclusion (EDI) voluntary monitoring form, doubling the disclosure rate from 2022 to 2023.



One of the proudest moments of my career was when I was appointed as CFO of SMS, becoming the first female Executive Director in the company's history. At SMS we have established many incredibly dedicated and talented teams with everyone, including myself, striving to be the best versions of themselves."

**Gail Blain**  
CFO

#### Diverse recruiting

SMS is committed to applying its equal opportunities, diversity, and inclusion policy at all stages of recruitment and selection. People drive success, therefore recruiting the right people, at the right time, into the right roles, is core to the business both now and in ensuring future company success. One practical example of this includes candidates being asked via email when arranging an interview, if they require any reasonable adjustments as part of the recruitment process. SMS continue to be a Race at Work Charter signatory, helping us take practical steps to ensure our workplace is tackling the barriers ethnic minority people may face in recruitment and progression.



#### Case study

##### International Woman's Day (IWD)

We celebrated International Women's Day (IWD) and honoured two of our female leaders at SMS, **Gail Blain** (Chief Financial Officer) and **Charlotte Gregory** (Head of Sustainability), on our LinkedIn page. Additionally, we supported **International Women in Engineering Day** (INWED) to help raise awareness and celebrate this initiative. We profiled two of our engineers, **Lisa Nicholas** (Dual Fuel Engineer) and **Sanah Umarji** (Test Engineer), through two short videos.

## Equality, diversity and inclusion continued

# Gender reporting

### Gender within SMS<sup>1</sup>

SMS supports and encourages gender diversity amongst its workforce and welcomes the requirement for gender pay gap reporting, introduced to increase pay transparency, and is committed to diversity and inclusion throughout the business. Overall, the SMS Group workforce is 31% female and 69% male.

As we are part of the historically male-dominated engineering industry, it is no surprise that our organisation has such a wide gender split (weighted towards men), and that a gender pay gap exists. The mean gender pay gap in hourly pay for the SMS Group is 19.5% (compared to 22.4% in 2022), and the median gender pay gap is 33.8% (compared to 37.2% the previous year). Both gaps are decreasing which is positive.

# 2.9%

improvement in mean gender pay gap hourly pay

As at 5 April 2023 there were 1,409 employees within SMS, compared to 1,284 in 2022. An increase of 125 employees, with the majority of these being male. Overall, there 1% more women in the total workforce (2023 verse 2022).

- most of our employees are engineers, and this is a profession with more men than women;
- there are more men than women in senior roles;
- there are more women in part-time roles; and
- there are more women in lower paying roles. It is worth noting that most of these issues are prevalent throughout the UK and internationally, so are not unique to SMS.

For the SMS Consolidated Group, the mean hourly pay gap has decreased and thus improved by 2.9% which is a positive.

During 2023, we promoted 5 women internally into management and senior level positions and appointed 7 woman externally into management level positions.

### Taking action – our strategy

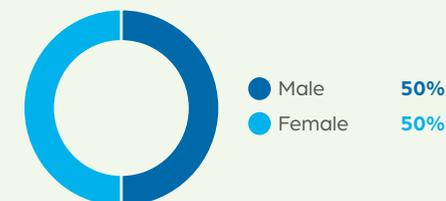
SMS supports and encourages a culture of gender diversity amongst its workforce. It is the contribution of 'Our People' from all backgrounds that ensures our business is successful, as only a diverse, inclusive, and engaged workforce will produce the solutions we need to tackle the varying challenges faced by our business, and industry leading thinking that will transition the energy market.

We are prioritising the following three areas for action, with Diversity & Inclusion remaining a strategic driver: we will utilise external accreditations and memberships for support (i.e. WES); and additionally internal tools including the SMS voluntary EDI monitoring form, with a focus on increasing completion rates; and we will continue to use our group pay and reward framework.

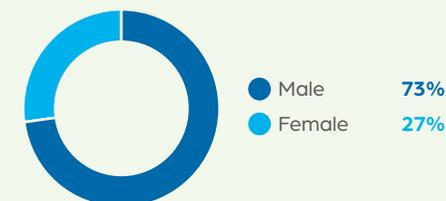
These actions will help ensure there is no bias towards either gender from the point of recruitment, through to salary conversations and progression opportunities. We continue to actively promote gender balance within the SMS Group, and will continue explore how we can continue to attract women into our organisation, to create a more even gender balance, specifically within our engineering workforce.

## Gender breakdown

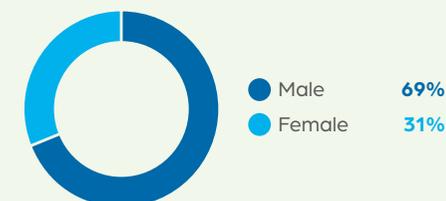
### Board of Directors<sup>1</sup>



### Senior management<sup>1,2</sup>



### All employees<sup>1</sup>



<sup>1</sup> We collected our data on 5 April 2023.

<sup>2</sup> Senior management is defined as employees (including executive directors) who have responsibility for planning, directing and controlling the activities of the Group.

## Growing our talent

# Employee development

Our people are the central foundations that support business growth, and we are passionate about our people achieving their full potential and developing their skills and knowledge. Developing our employees is an ongoing importance within our materiality assessment, and as such we are constantly improving all our employee support and development activities.



### Induction

Our induction programme sets the scene for new employees and is underpinned by an induction workbook to ensure all employees have completed and understood the information shared. It serves as a quick reference to policies, accreditations, services, key contacts, and much more. All our employees, both full- and part-time, complete induction training upon joining the company. This includes direct training, online courses, and reading, covering a range of essential aspects. Part of this includes our new induction video, which encapsulates 'who we are' as a business, articulated through our vision and ambitions, and delivered by our CEO and other business leaders.

### Performance and Development Review

All employees are encompassed by our Performance and Development Review (PDR) process, which offers opportunities to acknowledge good performance and for employees to understand how their objectives align with departmental objectives and the company's overall goals. During this annual process, individual performance is evaluated, allowing time for managers to conduct a formal one-to-one meeting with their team members. These discussions cover strengths, areas needing support, any training and development needs, setting agreed measurable targets for the year ahead, and reviewing performance in the previous year.

### Varied and relevant training

Throughout the year, a significant number of courses are run both internally and externally, covering everyday essentials such as Excel and presentation skills, internal process support including 'Procurement Induction', through to management skills such as '360-Degree Feedback Course', and technical and professional skills including 'Energy Efficiency Related Building Regulations Course' and 'Commercial Considerations of Electricity Network Charging Reform Course'. These courses vary in format, ranging from virtual delivery internally, to third-party professionally recognised qualifications.

Every year, we are expanding our training support to ensure our people continue to develop and evolve in line with our business development goals. In 2023, we established a centralised Learning & Development hub, now accessible to all employees, providing easy access to learning resources. Hosted on the Intranet, this resource is designed to drive engagement with continuous learning and development.

## Growing our talent continued Employee development



50 employees

are participating in our bespoke Management Development Programme which is recognised by the Institute of Leadership & Management (ILM) and the Chartered Management Institute (CMI).

Over 100

employees participated in a series of Lunch & Learn events.

Equality Diversity and Inclusion (EDI) training was delivered to

over 100

attendees across all levels of employees.

### Engineer training

Our national dual fuel academy, located in Bolton, offers accredited gas and electric training and assessments, enabling our engineering team to gain professional qualifications and enhance their skills in both domestic and commercial sectors. We provide comprehensive technical training to all our engineering staff through the academy, covering Induction, Managed Learning Programmes, 3 Phase Metering, ACS accreditation, MOCOP Renewal, Battery Storage, Accuracy Testing, EV training, and other electrical courses to ensure our engineers meet industry standards.

Every new engineer undergoes a thorough induction to the company and a technical assessment, which includes approximately eight days (or 64 hours) of mandatory briefings, policy and procedure training, practical installations, and assessments, along with their CoMCoP assessment. As they progress within SMS, operatives have the opportunity to undertake further development training. During 2023, 241 SMS engineers, including subcontractors, completed their induction at our academy totalling 15,424 hours.

### Apprenticeships

We are continually expanding our apprenticeship programme, now including HR and Cyber Security to complement existing programmes such as Coaching Professional, Management, Digital Application Support, IT Professional, and Customer Service. During 2023, there were 20 of our employees working through their apprenticeship qualifications.

We created and delivered bespoke customer service training to

80

of our people.

We continued to

invest

in apprenticeship qualifications.

## Health and safety

# Health and safety in action

As a business in the energy industry, we need to protect our employees and contractors from the wide-ranging hazards and risks that they face on a daily basis. This includes our engineers working with electricity and gas, our battery site construction contractors and our office and warehouse staff. We have numerous controls measures in place to protect them all.



We are acutely aware of our moral and legal obligation to ensure, to the best of our ability, that everyone associated with our business returns safely at the end of their working day. In line with SMS's core value of Safety, our priority is to keep our people and those affected by our undertakings safe and healthy. To support this, we have a dedicated Health and Safety team, with our targets and action plans continually evolving to meet the ever-changing needs of the industries we work in and the growth and diversification of the business.

### Systematic safety

Health and Safety is embedded within our management structure, from the top of the organisation, where we report to the Board through the Health, Safety, and Sustainability Committee, through to our employee forums at shopfloor level. Our dedicated Health and Safety team covers all our workplaces, ensuring local employee access to the team to develop and support our company culture. We are committed to being a safe, secure, and reliable organisation that protects the health, safety and wellbeing of our people and our customers. This commitment is reinforced by our established Health and Safety management system, certified to ISO 45001, implemented to assist with compliance to legal, industry and voluntary obligations.

### Policy and compliance

The annual review of our health and safety policy and associated arrangements was conducted in March 2023 and published on the Company's intranet. The policy, a statement of intent, drives improvements across our management systems and related processes.

A new legislative register, Activ Comply, was acquired in 2023 to provide management with an effective monitoring tool for applicable legislation. It enables SMS to monitor changes in legislation and update business practices accordingly, reducing the risk of non-compliance and potential legal consequences.

### Long term targets

In 2023 we continued to build on the momentum of previous years, making progress towards our long-term improvement targets via our annual action plans. We also integrated a newly acquired business and maintained standards within our existing business streams, which are growing rapidly.

## Health and safety continued

### Health and safety in action

#### Incident reporting

During 2023, we aimed for a year-on-year reduction in Lost Time Incident Frequency Rate (LTIFR) and Total Recordable Incident Frequency Rate (TRIFR), but, regrettably, we observed minor increases in both. The challenges in achieving our targets were mostly minor injuries (sprains, bumps, etc.). However, we saw improvements in the reporting and management of incidents by operational teams, which is encouraging.

- 2 injuries resulting in an AFR of 0.07.
- LTIFR at 0.30 per 100,000 hours worked (2022: 0.21).
- Non-Lost Time Incident Frequency Rate (NLTIFR) at 0.67 per 100,000 hours worked (2022: 0.53).
- TRIFR at 1.03 per 100,000 hours worked (2022: 0.74).
- Technical performance remained stable, finishing at 14.44 incidents per 100,000 installs (2022: 15).

#### Conflict and security

Ensuring the safety and security of our employees in communities is a priority which is highlighted in our materiality assessment and operational processes. Engineers follow Risk Assessment and Method Statements (RAMS) and carry out dynamic risk assessments to manage risks in changing circumstances.

We also acknowledge the potential dangers at our battery energy storage sites (BESS) and ensure public safety is maintained through robust security measures, including physical barriers, surveillance, and warning signs.

#### Internal reporting

We encourage employees to report unsafe acts and conditions via our incident reporting tool (EQMS) and whistleblowing channel, ensuring they can report without fear of reprisal. All incidents are investigated, with escalation protocols for high potential (HIPO) incidents. Our SHEQ systems, crucial for risk management, are continuously improved to manage data and provide useful insights.

#### Communications

Our SHEQ communication plan is vital for the successful implementation of our SHEQ management system. We engage in industry campaigns and deliver internal communications to keep employees informed on health and safety issues. Our SHEQ targets and objectives are revised annually and communicated across the business, with updates published monthly.

We are constantly evaluating new and emerging risks and participate in industry groups to discuss mitigation measures and best practice for managing risks. In 2023, several working groups were established to enhance and streamline current business practices, including areas such as PPE, Tools & Equipment, Fleet Improvements and Fatigue Management.

## Health and safety continued

### Health and safety in action



## Occupational health

We work with respected Occupational Health Service Providers (OHSPs), PAM Group and Integral, to offer a range of services across the UK for SMS employees. This includes an advisory service for all occupational health risks encountered by the business. SMS has an Employee Assistance Programme (EAP) and employees are encouraged to access confidentially if they are experiencing any workplace issues. Contact details for the OHSPs are readily available to employees. SMS has provided both OHSPs with a scope of works, and they offer advice through regular contact with the SHEQ, HR, and Fleet functions. Monthly reports from the OHSPs are reviewed by SHEQ and HR.

A comprehensive suite of occupational health and safety training is delivered across the business. Engineers and support staff are trained upon induction and receive regular updates through the company's bespoke, electronic training platform, Nimble. In 2023, we launched our behavioural-based safety programme, IOSH Vision Zero, which was well received by participants and offered opportunities for self-reflection and discussion on potential improvements in workplace health, safety, and wellbeing. We have invested significantly in emergency response training and equipment for our employees to help keep our people and customers safe.

## Fleet safety

With a significant number of our employees on the road every day, the Fleet Department plays a crucial role in managing both short- and long-term health risks for drivers. This includes conducting health checks, providing training, and monitoring driver performance. Vehicle checks are carried out daily and weekly using an app-based system, enabling real-time reporting on vehicle condition and allowing swift resolution of issues to maintain fleet safety. Throughout 2023, the Fleet team, in collaboration with the SHEQ and Data Management teams, introduced new initiatives and enhanced reporting suites now accessible to management. SHEQ and Fleet meet regularly to discuss improvement opportunities. A dashboard was created to monitor aspects of performance, including:

- Driver's scorecard – covering speed, harsh acceleration, harsh braking, harsh cornering, idle time, and over revving.
- Door-to-door times to monitor the risk of driver fatigue and driving times.
- Motor Vehicle Incidents (MVIs) with investigation outcomes, enabling SHEQ and Fleet to assign appropriate vehicle training provided by our training partners Fleetmaster, e.g., online or one-to-one in-vehicle training.
- Frequency rates and the total MVIs reported – a steady reduction in frequency rates has been noted from August 2023.
- Vehicle check completions.
- Automatic push notifications and reminders to managers and department heads on emerging or current issues.

## Health and safety continued

# Health and safety at our battery sites

### Construction and operation of Battery Energy Storage Sites

Throughout 2023, we continued to construct and operate Battery Energy Storage Sites (BESS), with one site nearing completion and five operational. Strong working relationships between Health and Safety, the BESS teams, and our contractors ensured that the sites maintained high health and safety standards, with any shortfalls promptly identified and addressed. We are pleased to report that there were no significant injuries or incidents on any of these complex and challenging sites during this period.

This year, we initiated engagement sessions for open discussions on strategy, good practice, and lessons learned with our teams and contractors. These forums facilitated effective collaboration and alignment among strategic partners and will be held annually in the future.

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## 0 injuries

No injury RIDDORs were reported during the construction phases at our grid-scale battery storage sites.

For SMS and our contractors, good health and safety is a core value, as is sustainability. We worked closely with our contractors to ensure that sustainable practices underpin all their activities. This collaboration has led to the use of photovoltaic panels on site to generate electricity and an increase in the use of precast materials to reduce waste. In 2023, we also dedicated more time to visiting and assessing upcoming sites to mitigate potential risks in our next phase of construction projects.

### Engaging stakeholders for success

For the second consecutive year, our operational facilities and contractors on multiple grid-scale battery storage construction sites performed well, with zero RIDDORs reported. We hosted representatives from key contractors at our head office to discuss and outline our expectations for SHEQ performance and strategy, which received support from all parties.

### Additional risk mitigation

The BESS fire strategy and associated regulations are evolving areas that require proactive management. Therefore, we combine internal expertise with external specialist consultants at all stages of the process, starting from site design to ensure that all necessary fire strategy aspects are considered and incorporated based on the latest advice.

This collaboration enables us to communicate clearly and effectively with local planning authorities from the outset to post-completion discharge conditions. We prepare detailed and effective collaboration plans with fire services wherever we operate and maintain the most robust and relevant plans to ensure safety.



## Delivering value through communication

# Engaging our employees

### Listening to our employees

We conducted our fourth external employee engagement survey in April 2023 through 'Best Companies', an independent workplace engagement specialist. Best Companies works with organisations to measure, improve, and recognise levels of workplace engagement. In 2023, we continued our objective to 'Continue our external benchmarking, including progressing our Investors in People and Best Companies status'. As a result, we achieved a '1 Star' accredited rating, recognising very good levels of employee engagement. This marked a step up from the 'One to Watch' accreditation we achieved in 2021 and 2022.

The strict confidentiality and independently administered annual survey allow employees to give honest responses without fear of reprisal, providing a candid picture of how our people feel. We received feedback on what we do well as a business and areas where we can improve to guide future strategies. Actions implemented in response to employee feedback are communicated to all employees via an infographic with the theme 'You Said, We Did', and updates are incorporated into our existing business-wide continual improvement plan.

We continued to use our 'Employee Voice Forum' as a structured channel for employees to share views and suggestions, driving ongoing workplace improvements. Held bimonthly and chaired by the Chief People Officer, feedback is shared with the senior leadership team for consideration and, if relevant and possible, implementation.

### Purposeful engagement

Miriam Greenwood, Chairman of the Board, attended our Employee Voice Forum, which comprises representatives from all locations, departments, and roles. She provided an overview of her role and participated in a live question and answer session. Action points were taken away, and feedback was provided. Making the board more accessible to employees has been well received.

We introduced live Q&A sessions hosted by members of the Executive Leadership Team, providing a platform for two-way communication on key topics such as business strategy, goals, and decision-making. These sessions were well attended by employees and included discussions with our Chief Information Officer, Chief People Officer, MD of Energy Storage, and MD of Asset Installation, covering a wide range of employee questions and operational aspects.

**SMS**

## YOU SAID WE DID

Following your feedback, here's an update on some of the positive actions we've taken since our last employee survey in April 2023.

**VERY GOOD TO WORK FOR 2023**

### Communication

- NEW** Live Q&A sessions with the Senior Leadership Team
- NEW** Townhalls with CEO Tim Mortlock & CFO Gail Blain (more to follow in 2024)
- NEW** Operations Governance calls

### Team Building

- NEW** Volunteering days
- NEW** Employee social events
- NEW** Employee Resource Groups 'Eco Warriors' and 'Game Masters'

### Simplify Processes

- NEW** Prepayment cards for engineers in the Highlands & Islands
- NEW** Group ID badges enabling access to all sites
- NEW** Mental Health First Aiders (green lanyard)

### Benefits Review

- NEW** Enhanced paternity pay
- NEW** Monthly access to join the SMS share incentive plan

**What we could improve**

## Delivering value through communication continued

### Engaging our employees

In 2023, we also launched our first executive 'Townhall' within our Glasgow office, with plans for more in other locations in 2024. Following the successful launch and positive employee feedback on our first five Employee Resource Groups, we launched two new groups through Microsoft Teams. Our resource groups now cover a range of topics: Menopause Support Employee Group, Health & Nature Club, Pets of SMS, Culture Club, LGBTQ+ Group, Game Masters, Eco Warriors. These online groups provide employees with a digital forum to connect with colleagues who share their interests and hobbies.

Ongoing feedback from both our Employee Voice Forum and the annual Best Companies Survey allows us to delve into employees' thoughts on various subjects, including wellbeing, pay and benefits, personal growth, team dynamics, company leadership, and more. Continued communication and engagement with our people are critical to our business's success; therefore, we use employee feedback to implement action plans. This ensures that we not only listen to our employees but also act on their feedback.

We listen closely to our employees, and this engagement has enabled us to enhance our reward initiatives and implement a range of measures and policies, some of which are outlined below.

### Enhanced benefits package

We take pride in our benefits package, available to all employees (both full-time and part-time). Our Employee Assistance Programme offers a confidential counselling service available 24/7, along with additional free support for employees, providing access to expert health and wellbeing advice, including free 24-hour online GP appointments. Our medical insurance programme offers cashback cover for various healthcare options, including optical, dental, chiropractic, and complementary therapies. Through the Cycle Scheme, we support employee fitness with savings on bikes and accessories, with payments taken tax-efficiently from their salary.

Our Group Family Friendly policies include enhanced pay for Maternity/Paternity and Adoption Leave, as well as five days of paid leave for fertility treatment and for employees who have experienced a miscarriage. We also provide life insurance at a rate of 4x annual salary for all employees, along with wellbeing support.

To ensure a healthy work-life balance, all employees are entitled to up to 30 days of annual leave (plus Bank Holidays) and hybrid working arrangements, where operationally feasible. We reward loyalty with a length-of-service cash incentive and ensure the continual development of our employees through funded career development opportunities such as apprenticeships and other professional qualifications.



### Case study

#### Demonstrating positive impact

During the year we invited John Lamont – Minister for Scotland to visit our headquarters in Glasgow to showcase our focus on making a positive social impact through our work to drive forward the UK's Net Zero agenda and to meet employees and apprentices. We also welcomed MP Ed Miliband and Dame MP Rosie Winterton to visit our offices in Doncaster to demonstrate social impact within the UK energy sector and find out more about our own commitment to mitigating climate change.

Our Share Incentive Plan enables employees, following successful probation, to become shareholders and benefit from the Company's success by joining our Share Incentive Plan (SIP). Eligible employees have the opportunity to buy shares in SMS out of their pre-tax salary, with one free share (Matching Share) given for every Partnership Share bought. Our 'refer a friend' bonus (£500) encourages employees to help grow our teams, with a £250 bonus received once the new employee successfully completes their probation period and a further £250 after completing 12 months of service. This bonus is occasionally increased to £2,000 to support targeted recruitment in engineering specialisms.

As an accredited Real Living Wage employer, we are committed to paying the Real Living Wage as a minimum to our employees and will increase our minimum hourly rate to £12.00 p/h as of May 2024. We also continue to be proud signatories of the Living Hours accreditation.

We continue to offer the 'DriveGreen' scheme, a salary sacrifice car leasing scheme supporting employees in gaining access to electric or hybrid vehicles, with 14 additional vehicles leased in 2023.

## Delivering value through communication continued

# Supporting our purpose-driven culture

### Living Our Values awards

Our quarterly Living Our Values (LOV) awards celebrate employees from across the business who exemplify our five core company values: Safety, Sustainability, Customer Excellence, Innovation, and Pride. We keep these values and associated behaviours alive through our LOV Awards (Living Our Values), held every quarter to recognise employees who demonstrate our core company values. In 2023, we received more than 500 nominations and honoured 84 winners. All nominations are reviewed by a senior management judging panel, which selects winners for each values category. Winners receive a Gift Voucher, Values Pin Badge, and Commemorative Certificate from our CEO.

### Sharing our successes

In 2023, we continued to release our annual report in an employee-friendly condensed version to increase accessibility and inclusion, complemented by our Sustainability Report. The Sustainability Report outlines the practical steps we are taking to advance Environmental, Social, and Governance (ESG) commitments within SMS's operations and culture. This informative and concise version ensures that all our employees are engaged in our company journey and supports a purpose-driven culture.

Our quarterly Employee Newsletter continued throughout 2023, supplemented with additional videos and direct emails covering business performance, notable events, and updates. This flow of information keeps our people informed about organisational matters and fosters inclusivity as the business changes and evolves.

### Our five core values

Safety, Innovation, Customer Excellence, Sustainability and Pride – underpin our commitment to 'putting our people first' and drive the behaviours we wish to see demonstrated throughout our business practices.



#### Safety

- Take care of your wellbeing and others
- Take ownership and responsibility
- Be aware
- Report and action



#### Customer excellence

- Listen and respect
- Go the extra mile
- Be polite
- Show empathy



#### Innovation

- Share and encourage new ideas
- Find solutions
- Be creative
- Think for the future



#### Pride

- Celebrate our differences
- Be trustworthy
- Give praise and recognition
- Work to the best of your ability
- Work as one team



#### Sustainability

- Make greener decisions
- Build an enjoyable and healthy working environment
- Positive towards change
- Encourage others to act sustainably

Putting our people first

Our core values and behaviours

## Employee wellbeing

# Wellbeing

Through inclusive practices and prioritising good health and wellbeing, we continually seek to improve employee engagement and organisational performance.

### Enhanced wellbeing-focused benefits

Enhanced wellbeing-focused benefits for all employees include Medicash, which supports employees with day-to-day health expenses, SmartHealth, a free support package for employees including online GP appointments and access to health experts; an employee assistance programme offering 24/7 confidential support; the My Healthy Advantage app, providing access to a wealth of health and wellbeing resources, and access to a cycle scheme. We keep these wellbeing benefits alive by providing regular awareness sessions and interactive Q&A sessions with external experts.

### Employee Lunch and Learn sessions

Responding to employee requests, we introduced a new series of employee lunch and learn sessions focused on wellbeing. Delivered by external and internal experts, the sessions covered a variety of topics including Fertility in the Workplace, hosted by Fertility Network UK, Pregnancy and Parenting at Work, hosted by Tommy's, Men's Mental Health and Men's Health, hosted by external experts from 'Wellbeing

Partners', and Neurodiversity in the Workplace and Menopause, hosted by external experts from 'Positive Pause'. These sessions were open to all employees.

### Holistic wellbeing approach

Our wide variety of health benefits is supported by a holistic approach to wellbeing, including our bespoke internal SMS Employee Wellbeing Page. This page provides centralised access to resources including free support, advice, and external signposting. Our efforts are underpinned by our five wellbeing pillars: Mental Health, Physical Health, Family Focused, Financial Wellbeing, and Life Challenges.

### Our employee assistance programme

24/7

confidential support is offered.

### 2023 Wellbeing initiatives

We participated in National Wellbeing campaigns including World Mental Health Day this year with a spotlight on anxiety, 'Time to Talk Day' the nation's biggest mental health conversation supported by Mind and Mental Health Awareness Week. We now have more than 40 trained Mental health First Aiders across SMS, who support our people as we continue on our journey to raise awareness on mental health and the challenges connected to it.

Supported Mental Health Awareness Week, World Mental Health Day, Alcohol Awareness Week, Dry January and Time to Talk Day.

Invested in Bump2Baby & Beyond membership programme.

Supported Baby Loss Awareness Week 2023 and National Fertility Awareness Week.



## Understanding our social impacts

# Benchmarking our performance

We strive to cultivate a positive, diverse, and inclusive working environment that attracts, retains, and develops our people. We align with relevant initiatives and hold a significant range of certifications, accreditations, and awards to both benchmark our actions and showcase our successes. The full list of these can be found on our website.

## Our Levelling Up Impact Report

We continued our partnership with the Purpose Coalition which supports cross-party working and brings together the UK's most innovative leaders, Parliamentarians and businesses to improve, share best practice, and develop practical solutions. Through this channel we have received our 'Impact Report' which benchmarks an organisation's activity against the 14 Purpose Goals, spanning core barriers to opportunity that exist in the UK. Our Levelling Up Impact Report highlights SMS's commitment to delivering opportunity in the UK through delivering low-carbon energy services, and implementing responsible Environmental, Social, and Governance (ESG) Policies.

SMS is aligned to five of the Purpose Coalitions 14 Purpose goals:



**Goal 3:** Positive Destinations Post 16+: ensuring young people have the choice of a high-quality route in education, employment, or training.



**Goal 5:** Open Recruitment: ensuring professions are open to people of all backgrounds through transparent, accessible, and open recruitment practices.



**Goal 6:** Fair Career Progression: ensuring opportunities for career advancement for all based on ability and potential, not connections.



**Goal 8:** Good Health and Wellbeing: ensuring improved mental and physical health at all ages to boost overall wellbeing that allows people to fulfil their potential.



**Goal 13:** Harnessing the Energy Transition: ensuring that the energy transition is fair and creates opportunities across the UK.

## New for 2023

### Benchmarking our performance:

- We achieved the '1 Star' accredited rating for very good levels of employee engagement via 'Best Companies', marking a step up from the 'One to Watch' accreditation we achieved in 2021 and 2022.
- We were finalists for the Best Company to Work for at the TELCA Awards, recognising companies that prioritise their team's well-being and foster a vision for success.
- We were finalists for three awards at the UK Employee Experience Awards: Best Employee Engagement, Learning & Development, and Diversity & Inclusion.

### Equality, Diversity, and Inclusion:

- We partnered with the UK's largest women's engineering network, the Women's Engineering Society, to support women and encourage young girls to enter the industry, fostering a more diverse and inclusive workforce.
- As a member of the Tech Talent Charter, we submit diversity data to improve inclusion and diversity within our organisation and the tech ecosystem.
- Our L&D Team and Contact Centre hosted visitors from the Aletto Foundation, focusing on developing the next generation of leaders from BAME communities.
- We progressed in becoming an accredited Menopause-Friendly Employer.
- Partnering with organisations like the Fertility Network, Miscarriage Association, and the Employer's Initiative on Domestic Abuse, we provide support to employees and raise awareness of fertility and treatment impacts.
- We expanded our 'Pregnancy and Parenting at Work' programme, including a new partnership with Bump2Baby & Beyond, offering online support groups and regular webinars to our employees.

## Supporting our communities

# Empowering our employees in the community

We believe that sustainable organisations not only have a duty of responsibility to their employees, but to the communities within which they operate. With this in mind, we empower our employees through several initiatives, with key themes of volunteering, fundraising, and supporting local education.

### Volunteering

Volunteering during 2023 involved a variety of activities for our employees, including painting and general maintenance at Nazareth House care home in Glasgow, tidying the community garden space at Birmingham Museum Trust, gardening, general clearing, erecting a polytunnel, and building raised beds for wheelchair users at a community allotment in Grow Cardiff.

Additionally, we partnered with the Royal Society for the Protection of Birds (RSPB) at Middleton Lakes, carrying out vital habitat work around the wetlands to protect threatened birds.



### Fundraising

In 2023, we continued our commitment to supporting charities within local communities close to several of our offices. Over the next two years, we will donate £90,000, divided among employee-identified charities: Beatson Cancer, Velindre Cancer Centre, The Bluebell Wood Hospice, and Bolton Hospice. After fulfilling this commitment, which extends until the end of 2024, we will conduct a company-wide survey to determine which new charities will receive our support.

Additionally, our teams at Hoyland and Bolton supported charities such as the Barnsley Food Bank and The British Heart Foundation through fundraising activities and collections. We also supported the mental health charity Mind by donating £1 for each completed Best Companies external employee engagement survey.

Throughout the year, we matched the charity fundraising efforts of 35 employees through one-off corporate donations to their chosen personal causes, resulting in a total donation of £18,000.



## Supporting our communities continued

### Empowering our employees in the community

#### Local education

Through the year, we supported local schools with volunteer activities, career readiness workshops, job placements, and educational programs.

In 2023, our support for Career Ready continued with their mentoring programme, and we participated in the Saltire Scotland programme by offering summer placements to 2 interns.

At St Roch's High School in Glasgow, we participated in the Career Carousel event, providing students with the opportunity to interact with professionals, ask questions about their career journey, current roles, and working at SMS.

We officially enrolled in Developing the Young Workforce's Climate Heroes, part of Scotland's My Climate Path programme. One of our energy consultants became a 'Climate Hero,' offering advice to pupils on skills needed for green jobs. We committed to providing a student with a meaningful work experience reflecting sustainable economic development. Additionally, the consultant will raise awareness of green career pathways at Drumchapel High School across all sectors, building a legacy from COP26.

At Netherwood Academy in Hoyland, we supported their Careers and Opportunities Fair, where students learned about SMS and available apprenticeships in our Logistics Team at the Hoyland warehouse.

We hosted a school visit from students of the Astrea Academy Trust at our Hoyland Warehouse. Our team supported the school's 'Shaping Our Futures' project by providing real job descriptions, conducting interviews, and showcasing the warehouse's stock and logistics process during their visit.

SMS and My Utility Genius launched the 'Energy in Schools' (EiS) programme, aiming to help British schools reduce energy costs and carbon emissions while engaging pupils in learning about energy efficiency. The programme provides schools with smart meters, technology devices, and learning resources to encourage lower consumption and significant savings.

▶ Visit the EiS website for more information:  
<http://energyinschools.co.uk>



# Operating responsibly and ethically

We uphold our moral and legal obligations through responsible and ethical practices, ensuring the integrity and transparency of all our activities. This commitment extends from our supply chain to our people, our operations to our customers, and wider society.

## Governance introduction

# Operating responsibly and ethically



We are firm believers in the importance of maintaining the highest standards of corporate governance."

**Miriam Greenwood**  
Non-executive Chairman



Our culture and principles are driven from the top and the passion of our leadership team is evident in the policies they set and in their everyday actions. Our governance practices span all our activities, with material aspects highlighted in our assessment.



### Embedded diligence and ethics

Effective corporate governance underpins everything we do, and is categorised as an ongoing importance, alongside ensuring fair pay & executive remuneration. Economic performance represents the health of our business and is highlighted as a focus area, supported by customer services as an ongoing importance within our materiality assessment.



### Cyber security

We are aware of the risks and opportunities within the digital space, with cyber security as one of our highest priority focus areas alongside technology & digitisation within our materiality assessment.



### Purchasing practices

Our secure and ethical value chain is critical to the success of the business, as such human rights is recognised as a focus area and overall procurement practices as an ongoing importance within our materiality assessment.



### Climate risk and opportunities

At SMS we understand the increasing importance of addressing climate change risk and opportunities, highlighting climate adaptation as a material focus area, alongside asset integrity as an ongoing importance.

## Our organisational structures

# Accountability and internal control

### 2023 Board Composition<sup>1</sup>

#### Miriam Greenwood OBE DL

Non-executive Chairman

#### Tim Mortlock

Chief Executive Officer

#### Gail Blain

Chief Financial Officer

#### Graeme Bissett

Senior Independent Non-executive Director

#### Ruth Leak

Independent Non-executive Director

#### Jamie Richards

Independent Non-executive Director

#### Mike Winkel<sup>2</sup>

Independent Non-executive Director

#### Craig McGinn

Group Company Secretary and General Counsel for the Group

<sup>1</sup> Board composition as 31 December 2023.

<sup>2</sup> Mike Winkel joined the Board in June 2023.

### Corporate governance

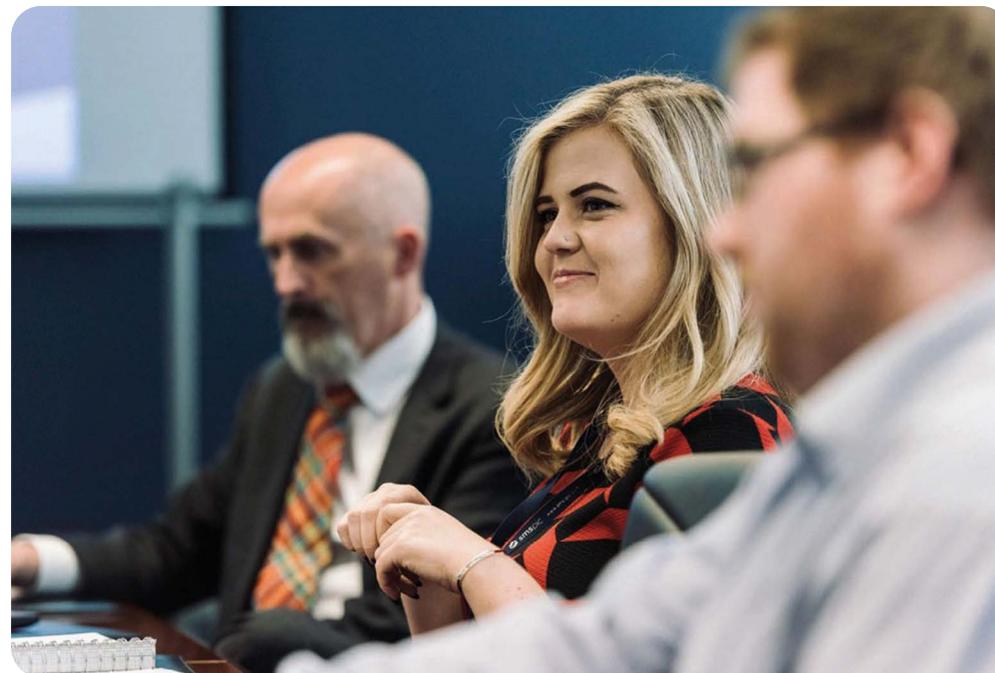
The Board has overall responsibility for corporate governance across SMS to ensure that the Group is managed for the long-term benefit of all stakeholders. The Board is responsible for setting the tone at the top and monitoring business performance. This includes regularly reviewing risks that could impact on delivering the Group's strategic and organisational objectives. The Board is supported by an effective corporate governance structure, including the Audit Committee which reviews the effectiveness of the Group's internal control mechanisms, financial reporting, internal audit and risk management processes.

Our culture and principles are driven from the top and the passion of our leadership team is evident in the policies they set and in their everyday actions. This ethos runs consistently through the Company's business values, policies, processes, and management systems to ensure a consistent, integrated business-wide approach to sustainability.

We believe in effective and efficient decision making in a manner that incorporates the needs of our many stakeholders. Our aim of continual improvement of our processes and risk management, whilst supporting the continued growth of the business, is vital to the ever-evolving corporate governance regime we adhere to.

The Chairman of the Board is an Independent Non-executive Director and is therefore well placed to oversee the adequacy and effectiveness of internal controls and risk management systems across the business. The terms of reference of the Audit, Remuneration, Nomination, Information Technology and HSS committees, the principal committees of the Board, and has been approved by the Board.

Our dedicated legal team ensure compliance with regulatory requirements for reporting and audits and ensure the Company meets all corporate governance requirements; ensure compliance with requirements relating to matters such as modern slavery and anti-bribery legislation; and drafting contracts relevant to ongoing business activities. The legal team works closely with all areas of the business and supports the operational, commercial, financial and HR functions across the corporate group to provide expert advice and guidance.



## Our organisational structures continued

### Accountability and internal control

#### Role of the Audit Committee

The Audit Committee comprises all the independent Non-executive Directors, with key objectives to provide effective governance over the Group's financial reporting and the performance of the external auditor; to provide oversight of the Group's systems of internal financial control; and to report to the Board on these matters.

In fulfilment of these objectives, the Committee's activities include:

- Monitoring the integrity of the financial statements, including reviewing significant financial reporting issues and judgements alongside the findings of the external auditor;
- Advising the Board on the appropriateness of the 'fair, balanced and understandable' statement in relation to annual reporting and accounts;
- Overseeing the relationship with the external auditor, the external audit process and the nature and scope of the external audit, including the auditor's appointment, effectiveness, independence and fees;
- Overseeing the nature and scope of internal audit and co-ordination with the activities of the external auditor; and
- Reviewing the effectiveness of the Group's systems for internal financial control, financial reporting and risk management.

#### Role of the Health, Safety and Sustainability (HSS) Committee

Chairman Miriam Greenwood also acts as Chair of the HSS Committee, and has delegated authority to set objectives, targets, and policies for managing issues related to ESG, including the development of and performance against our targets and ambitions. The Chief Executive Officer has overall responsibility for SMS' ESG matters and is responsible for setting Group ESG objectives and strategy to be approved by the Board, including policies related to climate change. Through membership of the Board and attendance at the HSS Committee, the Chief Executive Officer ensures that issues associated with ESG are represented consistently at the highest level. Specifically, the Chief Executive Officer personally sponsored the development of our 'net zero by 2030' emissions target and HSS Committee to facilitate SMS's climate change ambitions.

#### Risk management

Our established risk management framework, and the wider systems of internal control, continues to adapt in line with our growing business and the challenging macroeconomic environment. The Board has overall responsibility for governance, risk management and internal control. In support of this, the Company operates robust risk management processes, which are embedded within everyday business activities throughout

the Group. We have continued to integrate the Electronic Quality Management System (EQMS) to incorporate capability for centrally tracking and co-ordinating group compliance, safety, health and environmental activities as well as internal audit actions. We continue to expand the use of the EQMS platform to automate and control our internal processes to continually improve our governance practices. Monitoring and reporting of risk to the Board and Audit Committee have been further developed alongside a number of internal audit reviews into specific risk areas within the business (including data protection) which have assisted risk management in those areas. The Group's operational control of legal risk is overseen by its General Counsel. The Board has overall responsibility for the Group's system of internal control and risk management and for reviewing the effectiveness of these systems. It is supported by the Audit Committee in reviewing the effectiveness of the Group's risk process and internal control systems. Such an internal control system can only be designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls. A robust assessment of the principal risks faced by the Group has also been undertaken.

#### Operational policies

The Group operates to policies including the following:

- Anti-Bribery Policy
- Business Continuity Management Policy
- Climate & Sustainability Policy
- Code of Conduct Policy
- Corporate Social Responsibility Policy
- Data Protection Policy
- Data Retention and Disposal Policy
- Dignity at Work Policy
- Equal Opportunities, Diversity and Inclusion Policy
- Energy Management Policy
- Information Security Policy
- Integrated SHEQ Policy (H&S, Quality, Environment)
- Share Dealing Policy
- Secure Data Transfer Policy
- Whistleblowing Policy

## Management Systems

# ISO Management Systems

### Introduction

Across SMS we have integrated a range of governance and management frameworks to support our culture of ethical and rigorous business conduct. Our Management Systems across Quality, Health and Safety, Information Security, Environment and Energy improves our business performance and embeds safe and sustainable practices into our operations. These are supported by a top-level commitment to integrity, transparency and is evident in the related Integrated, Energy and Climate policies. Our Management Systems ensure relevant objectives, targets, deadlines, and adequate plans, are put in place to achieve these goals.

In order for our Management Systems to be robust, all the activities, products and services undertaken by SMS are included within the scope. In this way, we are able to control, monitor, influence and continually improve our activities, products, and services.

During 2023 we had a target to maintain all 5 ISO certified Management Systems: 9001, 14001, 27001, 45001 and 50001, which we successfully achieved following mid-year external audits.

### Leadership and commitment

SMS's Top Management is actively involved in maintaining our Management Systems. They provide the vision and strategic direction for growth and continual improvement of our Management Systems, establishing the necessary objectives and policies; considering the context and strategic direction of our organisation.

Top Management provides accountability and governance to all activities related to the lifecycle of our processes and services. This includes defining the appropriate responsibilities, authorities, and methods of communication to ensure safe and effective performance.

To continue to provide leadership and show commitment to the improvement of our Management Systems, Top Management communicates the importance of fulfilling customer, legal and regulatory compliance requirements through periodic communication meetings as well as by conducting management reviews to ensure the availability of resources, that risk assessments are understood, and our Management Systems achieve their intended results.

### Monitoring and evaluation

We are proactive in reviewing and monitoring the performance of our processes and services and continually monitor our customers' needs and expectations, ensuring they have been fulfilled. We understand the importance of measuring our performance against objectives and other factors, such as the performance of processes.

A rigorous audit programme is in place to verify and ensure that processes, procedures, and work activities comply with regulatory, legislative and ISO requirements for Quality, Environment, Health and Safety, Information Security, and Energy. These audits identify areas of best practice, areas of weakness or non-conformance; and where non-conformities are identified, robust action is taken to eliminate the root cause and prevent reoccurrence. Our Group Internal Audit team which reports directly to the Audit Committee, demonstrate another layer of audit governance outside of Executive and/or Management direct control.

In alignment with ISO requirements, SMS performs a yearly review of its Management Systems to ensure the ongoing suitability, adequacy, effectiveness, and alignment with the strategic direction of the organisation, while addressing any need for change in line with the company's objectives and needs of our customers and interested parties. SMS utilises various process improvement methodologies, along with traditional quality management activities to drive improvements across the organisation.

## Management Systems continued ISO Management Systems

### Continuous improvement

During 2023, a number of working groups including Tools and Equipment Management, Supply Chain Risk Management and Fatigue Management were established, to enhance and streamline current business practices, ensuring they meet the high standard to which SMS prides itself upon.

Exceeding customer expectations is one of the principal objectives of the Management System. SMS, therefore, continually strives to enhance customer experience by continually monitoring processes, customer feedback and complaints; which are used to identify opportunities for improvement.

During the year a new and improved live legislative register was purchased to provide management with greater awareness of applicable legislation. It enables SMS to monitor changes in legislation and update business practices, accordingly, reducing the risk of non-compliance and the possibility of legal consequence.

### Certification and Accreditation

During 2023, following our annual UKAS accredited external audits, SMS maintained certification to ISO 9001, 14001, 27001, 45001 and 50001 standards across our core business entities. This resulted in zero major nonconformities being identified during the audits undertaken.

SMS maintained its Safe Contractor accreditation with the addition of gaining PAS91 Gold level. In addition, Achilles UVDB audits were conducted within SMS Meter Assets and Energy Services businesses, resulting in 100% compliance across Management System practices. These demonstrate SMS's ongoing commitment to high standards within Quality, Safety, Health, and Environment.

Further external verification audits were undertaken against numerous industry codes of practices, relevant industry accreditations, as well as our customers. Once again, SMS achieved zero non-conformances upon conclusion of these audits.



## Business continuity and controlling risk

# Business continuity management

### Business continuity

SMS has a duty to its customers to ensure the products and services provided, continue to be delivered at acceptable levels during a disruptive incident. Business continuity planning ensures we consider the impact of disruptive unpredictable events and potential threats such as supply chain disruptions, utilities outage, natural disasters or cyber attacks. We are committed to implementing a Business Continuity Management Framework that continually seeks to improve the resilience of our organisation and enables the delivery of an effective response and recovery capability for any business disruption. The framework will minimise the impact on our people, client services, business operations and protect the SMS brand. Our Senior Management authorises and endorses the Business Continuity Management Framework and are responsible for driving its initiatives from the top down.

During 2023, we have continued to build on the Business Continuity Management Framework, aligning our processes and practices with ISO22301:2015 requirements. This in turn has enhanced our customer's confidence in SMS's ability to respond to a series of incidents and events and maintain critical business operations should disaster occur.



Looking ahead to 2024, we will be extending the scope of our Management Framework to cover new business entities and related activities. Through thorough business impact analysis and risk assessments, preventative controls will be established to reduce or eradicate identified risk scenarios, or to reduce their level of impact within acceptable tolerances.

### Risks management

SMS understands the need for its risks to be well managed and for its control measures to be proactive rather than reactive. This is important for our employees and for our customers who rely on healthy, safe work practices and effective quality processes to deliver their requirements.

Risk and opportunities are managed by:

- Development and review of business risk registers;
- Completion of risk assessments and method statements;
- Internal audits, inspections, and implementation of corrective actions;
- Customer feedback and complaints; and
- Engaging with Government initiatives.

SMS acknowledges that effective implementation of risk management is considered best practice at a corporate and strategic level as well as a means of improving operational activities. The risk registers will be used as a systematic and structured method of recording all risks that impact the effectiveness of the Integrated Management System as well as risks deemed significant following SHEQ risk assessments and environmental aspect and impact assessments.

## Data and systems

# Cyber security and information systems

### Introduction

Our cyber security and integrity is critical to all SMS operations and our stakeholders, and as such is a focus area under our materiality assessment. We have a dedicated information security team and managed service Security Operations Centre (SOC) to monitor, prevent, detect, investigate, and respond to cyber threats around the clock. With our dedicated resources we continually improve our systems, implementing technical tooling which reduce the impact and risk from any cyber incidents.

During 2023 we had a target to maintain zero Data Exfiltration of Personal Identifiable Information (PII), which we have successfully achieved. We are keenly aware of our responsibilities to all our stakeholders, such as where SMS handles PII, which needs to be controlled in the best interest of our end customers, and in line with GDPR and DPA legislation. We are dedicated to meeting our customers contractual requirements and as such cyber security certification and information security is a critical requirement to doing business.

We control risks and impacts through Cyber maturity, minimising downtime and the effect of any cyber-attack, allowing the business to continue to operate with minimised interruptions.

### Information security and data privacy

The General Counsel is an expert in data protection and is the appointed Data Protection Officer (DPO). The DPO monitors internal compliance with the Data Protection Act 2018 (DPA) and other relevant legislation. Through our policies, the DPO informs staff and third parties of our obligations and expectations under the DPA. SMS's Data Protection Policy provides full details of SMS' compliance with the relevant requirements, practices, and conduct of the DPA and data privacy legislation. SMS utilises compliance monitoring based on international standards for guidance on the full information lifecycle management of customer data. The Information Technology Committee is chaired by Ruth Leak, an information technology specialist, and comprises all non-executive directors. The Chief Executive Officer and Chief Financial Officer attended by invitation. The Committee ensures appropriate information technology standards and procedures are in place, including those related to the DPA legislation and, in close liaison with the Audit Committee, it ensures that all information and technology risks are identified, assessed, and managed with actions implemented as appropriate.

### Management, certification and audits

SMS has continued conducting annual ISO27001 Information Security Management System internal and external audits to maintain the certification status since February 2020. ISO27001 requires contributions from all parts of our business, and SMS emphasises maintaining this. SMS Energy Services attained Cyber Essentials Plus in 2022, the highest level of certification offered under the Cyber Essentials scheme, where cyber security experts carry out vulnerability tests to ensure that an organisation's preventative technologies are efficient. Additionally, the SMS annual internal audit of information security and data privacy is conducted by a third party on behalf of the Internal Audit team and is based on the NIST-800 standard. This activity supports continuous improvement throughout all areas of information security, including an independent review of information security tooling, which reinforces data management and information security.

### BESS security

SMS has multiple BESS sites, with more planned in the coming years. This new area of operations is managed per the ISO 27001 security standards set for the rest of the wider SMS group. This alignment ensures a clear security baseline across our business and a structure to manage cybersecurity risks effectively. We have plans to extend the scope of our existing ISO27001 certification to include current and any subsequent BESS sites to provide external assurance.

### Annual Information Security training for all

SMS employees receive monthly information security training. This incremental approach keeps security at the forefront of our day-to-day operations. The topics of the modules are reviewed annually to ensure that they remain effective. Foundational courses are included in the recruitment team's standard joiner package for all new employees. The training platform includes reporting functions to monitor completion and ensures employees know their responsibilities to secure information. Face-to-face training is also conducted during site visits to provide engaging sessions tailored to the audience to supplement the online training. Additionally, to ensure that all SMS employees are aware of the risks presented by phishing threats, SMS utilises third-party vulnerability analysis and simulated phishing attacks, with the results used to show additional awareness training requirements. Specialised technology enables all employees to report suspected issues for further action easily.



## Diligence in our supply partners

# Supply chain control and compliance

**Gail Blain**

Chief Financial Officer



The SMS procurement function sits within the central Group Finance team and reports to the Director of Financial Planning and Analysis, through to the Chief Financial Officer, Gail Blain. This ensures appropriate oversight and focus to business operations.

### Supply chain operation and governance

Procurement and supply chain management is of material, ongoing importance to SMS as an organisation as it ensures efficient acquisition of goods and services, and supply chain compliance to legal and voluntary standards such as human rights. It helps us to control costs, manage risks, and maintain quality standards. Effective procurement contributes to overall operational effectiveness, supplier relationships, and SMS strategic goals, impacting the organisation's competitiveness and financial health. It is key to SMS's corporate behaviour, governance and transparency to allow us to serve our customers and protect the environment.

### Operational oversight

The purpose of our targeted, central approach is to ensure that financial operations have greater oversight of the procurement function, therefore allowing a greater oversight to improve cash flow tracking, as well as ensuring consistency and focus on best practice across the Group.

Primarily, it is operational staff who, working in conjunction with the procurement team, negotiate purchases from our Tier 1 vendor base, strengthening the supply chain function by providing technical expertise. These teams ultimately report into the Chief Executive Officer and Chief Financial Officer, to attain board level authority and oversight.

SMS's material supply chain streams relate to our battery and smart meter services, which have both seen expansion during 2023 due to increasing smart meter installs and increased BESS developments. SMS is acutely aware that in order to install Carbon Reduction (CaRe) assets client data may need to be shared with our partners for goods and services, as such these partners undertake a rigorous onboarding programme as well as regular checks to verify our partners processing of such data is not compromised.

## Diligence in our supply partners continued

### Supply chain control and compliance

#### Meeting our targets

We have a top-level objective to 'Engage Tier 1 vendors to identify ISO14001 status, and work with key vendors to obtain improvements within their ISO14001 accreditation or their environmental policy'.

In 2022 we exceeded our target of 80% of Tier 1 vendors holding ISO14001 or a robust Environmental policy, and in 2023 we have again exceeded our target of 90%, with a total of 95% tier 1 vendors by 31st December 2023.

#### Leading for continual improvement

The SMS procurement function is led by the Head of Procurement, as a Chartered member of the Chartered Institute of Procurement & Supply (CIPS), the Head of Procurement is driving SMS's journey towards achieving best practice through implementing the CIPS principles and professional 'toolbox'. The globally recognised professional standard represents leading practical, technical and managerial approaches to supply chain which we will continue to embed in our activities.

#### Supplier ranking and monitoring

SMS is currently ranking its vendor base each quarter by spend and type of service provided by its vendors. SMS Tier 1 vendors are those represented in the top 80% of annual spend in a rolling year. In order to remove and reduce risk further down the supply chain, the procurement team are ranking the vendor base using the Kraljic Matrix, recognised as one of the most effective ways to deliver accurate supplier segmentation, this is a method for classifying and analysing the purchasing portfolio in order to guide the procurement strategy.

Leveraging this matrix opens up opportunities to the procurement team to work closer to its supply chain partners to mitigate risk. Alongside this work, a project team has been set up working together to analyse further risks within SMS supply chain, by way of understanding the type and volume of data handled by our vendors and how we would be impacted by any loss or error of supplier data held.

We systematically monitor vendors' performance on an ongoing basis and have migrated this work from a manual system to our Electronic Quality Management System (EQMS). This system is enabling data to be collated directly from the vendor base and systematically reviewed to check for any non-compliance. Vendors have been grouped by type, and the vendor manager platform has been launched. This is enabling procurement to track individual reportable

data items, ranging from vendor insurance through to sustainability targets. It is allowing SMS to streamline administration and address vendor duplication.

As we continue to develop our EQMS platform we have been able to share best practice and discuss topical issues with our vendors. We have also leveraged the platform to better understand and rationalise the overall supplier database, and work more closely with our supply chain partners. EQMS is set up so that vendors must upload updated certificates, policies, insurance, etc. relating to SMS supplier requirements, on a regular basis. If they fail to do so, they will be rejected by the platform after an eight-week period.

#### Working with suppliers for better outcomes

Following a project with a key SME, CHH Conex, we have continued to see progress in their environmental performance and targeting, most recently with their plan to install renewable energy assets within their buildings to reduce their emissions. This builds on the success of 2022, which saw us work very closely together to systematically work through their sub-tier vendor base to address compliance issues and promote Environmental policies and ISO14001 accreditations.

During this time CHH Conex also attained their ISO14001 accreditation, which was greatly influenced by SMS, as we track this as a key performance indicator for tier 1 suppliers.

#### Compliance

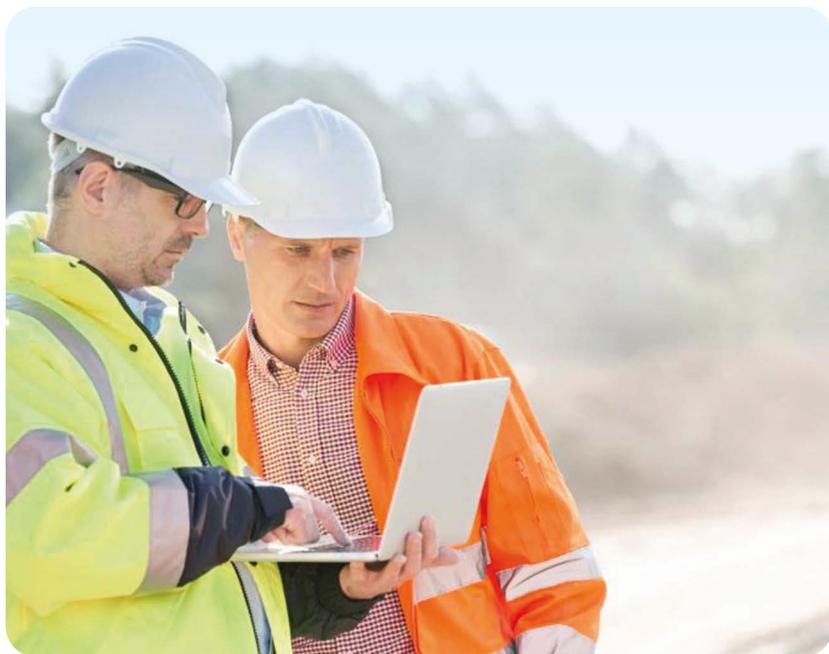
Our standard SMS Supplier Questionnaire and binding contracts with Tier 1 vendors, screen for and impose requirements on new and existing suppliers to comply with standards on: Health and safety; minimum living wages; maximum working hours; freedom of association and the right to collective bargaining; child labour; acceptable living conditions; non-discrimination; corporal punishment/disciplinary practices; and forced labour.

Our updated Supplier Code of Conduct is publicly available on our website and is shared with our supply base, with a view to seeking acceptance and adherence from our current and future supply base.

## Diligence in our supply partners continued

# Mitigating risk through additional oversight

At SMS we are keenly aware of the double materiality lens for our supply chain, where we have an indirect impact on key aspects such as human rights and the environment, as an ongoing material importance. Where we have evaluated potential for higher exposure, we ensure additional due diligence is implemented and maintained.



### Auditing

Our Grid Batteries are sourced from large established battery manufacturers used by many other large brands. Within our due diligence process we have ensured every strategically significant supplier completes our 'Supplier On-Boarding' process which includes screening for Health and safety, minimum living wages, maximum working hours, freedom of association and the right to collective bargaining, child labour, acceptable living conditions, non-discrimination, corporal punishment/ disciplinary practices and forced labour standards, and inclusion of these aspects in Tier 1 Supplier contracts.

Due to the sensitivity around battery manufacture we completed additional due diligence activities beyond our standard procedures. Initial review activity is conducted by our internal team on our most significant battery suppliers, spanning ESG ratings and sensitive activities identification, alignment with industry bodies such as the Responsible Cobalt Initiative (RCI), international standards such as ISO's and external reviews and understanding of client base. Conclusions from these investigations were shared with leadership to give greater insight during early supplier engagement.

Further to this, we employed a third party auditor to thoroughly audit each supplier, reviewing performance and exposure through:

#### Desktop audits

- Public record review
- Discreet Enquiries

#### Field audits

- Site Assessments
- Management and employee interviews

Covering a wide range of Environmental, Social and Governance aspects, such as:

- Bribery and corruption.
- Slavery and child/forced employment
- Employment conditions
- Health & Safety issues
- Environmental impact assessment including recycling, environmental damage & pollution
- Impacts on landscapes and communities
- Raw materials supply exposure

The last round of audits were concluded in mid-2023, with no legal compliance issues or significant ethical issues found. This information was shared with our leadership teams, and we will be continuing this due diligence as necessary on new and existing suppliers to review performance and support continual improvement, a key part of this is site-based audits, which continue to be undertaken on annual basis.

## Reliable customer support

# Ensuring customer services excellence

Serving our customers is at the heart of everything we do, and a critical aspect of gaining and retaining key clients.

We are keenly aware of our legal and voluntary obligations and ensuring all customers have an excellent experience with us is embedded in our culture and recognised in our core value of 'Customer Excellence'.

As a critical aspect of engaging new and existing customers, our customer services have been evaluated as an ongoing importance within our materiality matrix.

## Governance

Our customer services activities are overseen at board level through frequent performance reports and commentary. Our 15 dedicated Customer Services team members are supported by 2 team leaders and led by a Key Account Director. This framework enables a shared understanding of both end customer needs and those of our contractual clients.

## Performance indicators

We strive for continual improvement of our performance and monitor independent third-party customer ratings services in order to track customer satisfaction. We ended 2023 with a very good Trustpilot rating of 4 stars from over 16,000 individual ratings. The level of upheld complaints was also low at 0.09% of the total number of jobs.

## Accessible contact

We ensure a range of channels are available for end customers to contact us, from phoning or emailing directly, to via their energy supplier. This ensures a customer can submit a query at any time of day and from virtually anywhere, with the confidence their inquiry will be received and acted upon.

## Processes

We are here to support customers voice their concerns and take appropriate action to resolve any issues and, critically, communicate back to the customer. We do this by a methodical process which ensures we address concern appropriately:

- Capture and categorise customer compliant information; this can be directly from the customer, or through one of our energy supply partners, and span a range of issues such as a failed appointment;
- Investigate the aspects raised; this can include engaging relevant internal departments, such as our technical or operational teams; and
- Come back to the customer; this gives confidence we have acted on their enquiry and ensures we close out issues to their satisfaction.

## Bespoke support

We support a wide range of enquiries from our established domestic, industrial and commercial metering workstreams, through to new energy services activities. Although we have scripts to ensure we capture all relevant information, our customer services team work with empathy as a fundamental tool to ensure we do the best we can for all customers in all situations. An underlying understanding of customers feeling ensures we how we can best resolve any issue.

Our team works closely together in order to support each other and drive forward best practice. Moving forward we are looking to develop specific recognition to excellent performance within our customer services team.



## Climate risk mitigation

# Assessing and addressing climate related risks and opportunities

SMS first embarked on a journey to implement the recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD) in 2020 and are a registered TCFD supporter. As an organisation at the leading edge of the low-carbon transition, we are acutely aware of the importance of evaluating the impacts of climate change on our activities now and into the future.

CDP B; Carbon Disclosure Project



TCFD Supporter; Taskforce for Climate Related Disclosure



During the year we conducted a review and update of our climate-related risks and opportunities processes, building on our previous climate change exposure scenario analysis. We have enhanced the rigor to our processes, creating clear auditable documentation and ensuring engagement of all relevant internal stakeholders.

2023 marks the first year of the TCFD requirements becoming mandatory for the Company. In the following sections we have reported on climate-related financial disclosures consistent with the HM Treasury's TCFD-aligned disclosure application guidance, complying with all mandatory requirements and providing additional voluntary disclosures across the areas of Governance, Strategy, Risk Management, Metrics and Targets.

### Climate change scenario analysis

We have completed an emission scenario analysis to evaluate the near-, medium- and long-term exposure to the physical risks of climate change. Utilising the IPCC SSP2-4.5 climate scenario for the core physical assets within our business, including our offices, warehouses and battery sites, this analysis considered the global temperature rise projected as a result of SSP2-4.5 in the near term (present to 2040) and mid-term (2041-2060) and impacts across a range of regionally likely weather events such as flooding and extreme heat and cold. Findings from this analysis have been quantitatively evaluated, creating a

complete overview of the physical risks to our business from weather events over the next 40 years. Through this exercise we have established our assets are at low risk from physical climate change. We are planning to review this exercise and expand our exposure analysis in future to continually improve our analysis. Both our ESG Working Group and HSS Committee are engaged within this process to ensure appropriate oversight is embedded into our decision making and embedded within strategic planning and everyday processes.

### The Taskforce for Climate-related Financial Disclosure Framework

The TCFD was created by The Financial Stability Board (FSB) in 2015 to guide, improve and increase reporting of climate-related financial information. Although the TCFD has now been disbanded, the disclosure framework has been incorporated into the International Financial Reporting Standards (IFRS) and remains a leading source of climate disclosure across Governance, strategy, risk management, metrics and targets.

Further climate-related information can be found within our CDP disclosure, below shows a summary of our current activities under the TCFD four core elements of disclosure, with 11 detailed sub-disclosures sections.

## Climate risk mitigation continued

### Assessing and addressing climate-related risks and opportunities

#### Governance

#### Governance of climate-related risks and opportunities

##### a) The Board's oversight of climate-related risks and opportunities.

The Board has oversight of climate-related issues through the channels within our overarching risk and opportunities framework detailed in the table. These channels enable oversight and the integration of climate issues into all business decisions from the top level.

We report on our Health, Safety and Sustainability (HSS) Committee, including its role and responsibilities and key activities in the year on page 48. This committee monitors significant short, medium and long-term sustainability risks and opportunities, and the corresponding mitigation strategies, and is pivotal in facilitating the sharing of best practice across the Group and ensuring we have the capacity and capabilities to deliver on our goals. The Committee is supported by our ESG Working Group, as detailed in the management framework table.

Climate risk and opportunity is also integrated into Audit Committee activities and overlaps with the Group's corporate and business continuity risk registers, supported by annual reviews.

#### Climate-related risk and opportunity management framework

**Board of Directors** is responsible for setting the tone at the top and monitoring business performance. Sets purpose, vision and strategy with oversight of SMS's most material impacts, risks and opportunities, including climate change.

**HSS Committee** provides oversight to ensure that the Group adopts a consistent and comprehensive approach to health and sustainability through the promotion of transparent and responsible behaviours and practices and engagement with key stakeholders.

**Audit Committee**, which has specific delegated authority to review the effectiveness of the Group's internal control mechanisms, financial reporting, internal audit and risk management processes.

**Information Technology Committee** reviews and approves the information technology strategy and monitors priorities and structures implemented throughout the Group, including allocation of resources and the impact of emerging changes in technology.

**ESG Working Group**, comprising members of senior management across key supporting functions ensures appropriate oversight is embedded into decision making, strategic planning and everyday processes through regular review, evaluation and reporting on risk management processes.

**Safety, health, environment and quality (SHEQ) and compliance teams** are instrumental in setting the tone at the top in relation to safety matters and are responsible for obtaining and maintaining the Group's ISO certifications, which are supported by business assurance reviews

**Executive leadership team** is responsible for reviewing and managing the strategic risks within the Group and for providing oversight on departmental operational risks. It provides leadership and direction to employees and has primary responsibility for driving the development and enhancement of the Group's risk management processes.

##### Departmental management

The management teams in each department within the Group are responsible for the day-to-day management of risks and opportunities within their area, ensuring that these are appropriately identified, prioritised and mitigated.

## Climate risk mitigation continued

### Assessing and addressing climate-related risks and opportunities

#### Governance continued

##### b) Management's role in assessing and managing climate-related risks and opportunities.

Our top management team and executive leadership have assigned climate-related responsibilities relevant to their business areas. These responsibilities include taking part in climate risk and opportunity workshops and representation at the ESG Working Group to support communication of Group risks and opportunities relevant to their business area.

#### Strategy

##### Actual and potential impacts of climate-related risks and opportunities on business strategy and financial planning

##### a) SMS's climate-related risks and opportunities over the short, medium, and long term

We have reviewed our risks and opportunities over short- (0-3yrs), medium- (4-10yrs) and long-term (11-20yrs) time horizons, in order to ensure an encompassing approach. We utilise a quantified impact and likelihood approach, which considers expected scales of financial gain or loss, disruption to services, quantitative litigation and fines and impact on strategic objectives to establish a materiality scale from 1 to 25 across both the positive opportunities and potential risks related to climate change. As a result of this review, we have identified several risks and opportunities with an amber rating, designated as grades 9 to 15 under our classification system, which indicates that action is required to mitigate the risk.

##### Risks

- 1. Acute Physical (extreme weather and climate events, short-term time horizon): road-based employees.** Extreme weather and climate events can lead to interruption of the operation of 'on the road' activities such as metering and engineering teams.
- 2. Acute Physical (extreme weather and climate events, short-term time horizon): site-based IT Systems.** Extreme weather and climate events can damage assets leading to the interruption of critical IT systems.
- 3. Transitional (changes in policy and regulation, medium- and long-term time horizon): operational costs related to fossil fuel use.** Policies on carbon pricing and emissions and the energy transition can result in higher operating costs.

##### Opportunities

- 1. Transitional (changes in policy and regulation, short- and medium-term time horizon): metering services – including the smart meter rollout deadline extension.** Smart meter rollout extensions and half hourly settlement demands can extend business opportunities in our existing customer base.
- 2. Transitional (changes in policy and regulation, short- and medium-term time horizon): grid-scale battery storage services.** Increasing demand for battery storage capacity can extend business opportunities in our existing customer base.
- 3. Transitional (market, short-, medium- and long-term time horizon): demand for emerging CaRe services, data and technologies.** Increasing demand for emerging CaRe services, data and technologies allows for expansion in the market.

## Climate risk mitigation continued

### Assessing and addressing climate-related risks and opportunities

#### Strategy continued

#### b) The impact of climate-related risks and opportunities on SMS's businesses, strategy, and financial planning

Ownership of these risks and opportunities has been delegated to the heads of the respective business areas, with the ESG working group reporting any significant changes to the HSS Committee. A range of strategies are in place to mitigate the key risks identified, detailed in the table on page 59.

We are keenly aware of a range of scenarios impacting our businesses, strategy and financial planning, with relevant examples outlined below.

Climate risks affect various aspects of our operations, particularly concerning our road-based employees and site-based IT systems. Extreme weather events pose acute physical risks to road-based employees, including metering and engineering teams, as operations may be interrupted due to inaccessible locations or damaged equipment. This can lead to service disruptions and cost overruns, necessitating additional resources to address these challenges.

Similarly, our site-based IT systems face acute physical risks from extreme weather and climate events, which can damage critical assets and lead to interruptions in essential IT functions. These disruptions may result in physical damage, power outages, cybersecurity vulnerabilities, and operational continuity issues, necessitating increased investment in resilience measures to mitigate these impacts effectively.

Moreover, transitional risks stemming from changes in policies and regulations related to fossil fuel use pose additional challenges. Policies such as carbon pricing and emissions regulations contribute to higher operating costs, particularly concerning fossil fuel purchase across our fleet and buildings. As a result, we anticipate increasing costs should there be delays in transitioning to more sustainable energy sources, necessitating strategic planning and adaptation measures to manage these impacts effectively while maintaining operational efficiency.

#### c) The resilience of SMS's strategy, taking into consideration a global warming scenario of 2°C or lower.

We have reviewed our CaRe assets against physical climate risk. We carried out a detailed climate-related scenario analysis of SMS office and grid-scale battery sites and analysed the projected changes to local weather systems in the near-term and mid-term as a result of the IPCC SSP2-4.5 (middle of the road) emissions scenario. The physical risks that have been considered are in line with the UK Climate Risk Independent Assessment (CCRA3) Technical Report, assessing the potential impact of future winters in the UK becoming warmer and wetter, and the summer months becoming hotter and drier. As a result of this assessment, it's been concluded that our assets are low risk, taking into account mitigating controls, with no major near-term risks identified. We will continue to actively monitor these risks and have integrated these results into our climate-related risk and opportunity register.

Furthermore, a qualitative assessment has been made on our transitional resilience by area leaders, and we are confident in the mitigations we have in place. We will continue to review and broaden our exposure analysis and the resilience provided by our mitigation strategies.

## Climate risk mitigation continued

### Assessing and addressing climate-related risks and opportunities

#### Risk management

The processes used to identify, assess and manage climate-related risks

##### a) SMS's processes for identifying and assessing climate-related risks

Management is engaged on climate-related risks and opportunities through dedicated risk and opportunity workshops, spanning executive leadership team and departmental teams to support the continuous improvement of risk and opportunity identification and management processes. These workshops are used to identify new risks and opportunities, review and update existing risk ratings, identify appropriate new mitigating actions, and assess progress towards completion of identified mitigating actions.

##### b) SMS's processes for managing climate-related risks

Within our climate risk and opportunity register we include quantified risk measures and mitigating actions. These key indicators support operational and strategic decisions, including whether to mitigate, transfer, accept, control or exploit those risks and opportunities. With regards to the risks highlighted, it's been identified that action is required to mitigate the risk through controls with oversight from executive leadership.

Key activities under these risks are summarised below:

Climate risk area	Management approach
<b>Road-based employees</b>	<p>Incident response and communication plans are in place. SMS has established emergency weather procedures including employee alerts of poor or dangerous driving conditions or hazardous working conditions. Our in-house fleet and SHEQ teams work together to evaluate all potential weather events and act accordingly. Should a weather event require mitigating action, our fleet and SHEQ teams have the delegated authority to reduce or stop operations and utilise emergency 4x4 vehicles. An example of these procedures being put into practice was in response to the 2018 'Beast from the East' which was a red weather event.</p> <p>SMS has rigorous high-quality, role-specific, mandatory training standards which ensure our engineers are fully prepared and informed on procedures in relation to safety during a weather event.</p>
<b>Site-based IT Systems</b>	<p>Business continuity plans are in place across the SMS Group. These encompass a range of scenarios including disaster recovery plans for critical IT systems and failover facility availability for immediate redeployment of staff if required, thus enabling core operations to be serviced. External impacts are considered through activities such as monitoring of industry data flows and escalation of issues should they arise.</p>
<b>Operational Costs related to fossil fuel use</b>	<p>To mitigate the risk from rising energy costs the Group has highly ambitious net zero target covering our fleet and building emissions. Our 'net zero by 2030' target includes transition to electric vehicles, which will mitigate future increases in fossil fuels carbon taxation, road tax and availability of vehicles, and sustainability upgrades for our buildings to improve efficiency and reduce usage. The planned electrification of heat sources will further mitigate against future increases in fossil fuel carbon taxation. Leveraging our ISO50001 accredited Energy Management Systems (EnMS) ensures continual improvement in our energy efficiency across the wider business.</p>

##### c) How processes for identifying, assessing, and managing climate-related risks are integrated into SMS's overall risk management

Identifying, assessing, managing, documenting, and communicating risks with stakeholders. We have found significant overlap in the risks identified in our climate risk register and our business continuity and corporate risks registers.

Our established risk management framework, and the wider system of internal control, continues to adapt in line with our growing business and evolving climate impacts. The Board has overall responsibility for governance, risk management and internal control. In support of this, we operate robust risk management processes, which are embedded within everyday business activities throughout the Group. The risk management framework on page 58 highlights the main responsibilities for the management and oversight of risk within the Group.

## Climate risk mitigation continued

### Assessing and addressing climate-related risks and opportunities

#### Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

#### a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

The organisational risk management framework comprises the recording and management of 'top-down' strategic risks, which are discussed by the Board and executive leadership team, as well as 'bottom-up' risks, which capture potential operational issues at a departmental level. Our risk assessment model considers the probability of a risk crystallising and the potential impact if the risk did crystallise.

These are defined utilising multiple lenses, such as scales of financial loss, disruption to services, quantitative litigation and fines and impact on strategic objectives. The likelihood distils the probability of occurrence during specified quantified timelines. These are mapped on a five-by-five basis, delivering a 1 to 25 scale of climate-related risk.

#### b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.

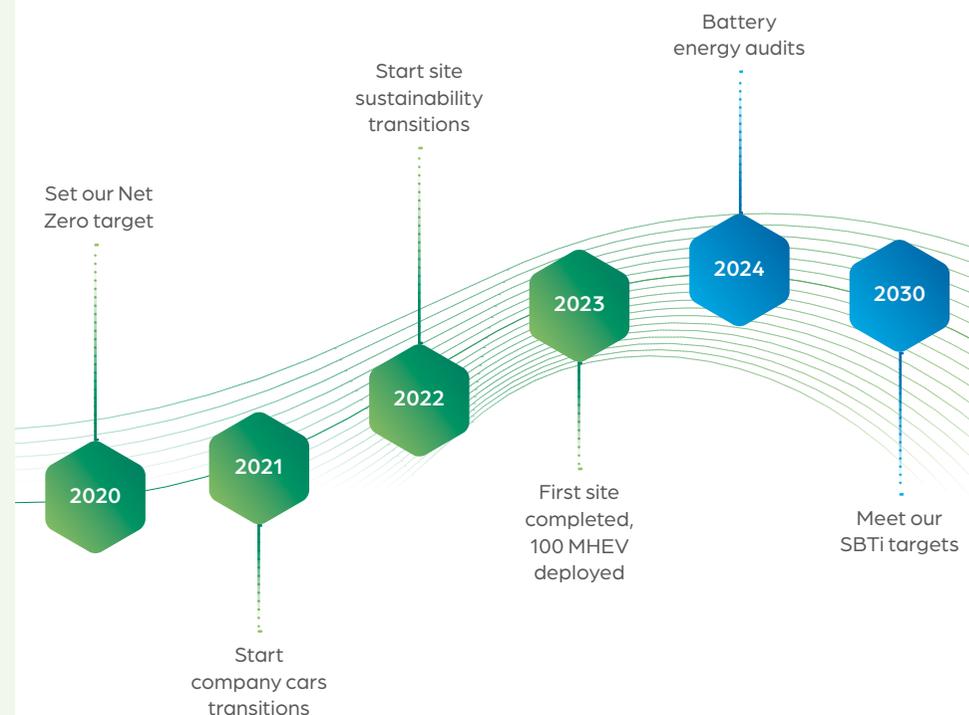
Consistent with the prior year, our scope 1, 2 and 3 emissions are disclosed within our emissions reporting table, including further descriptions of sources and trajectory explanations. See page 20–22. The key risk linked to our carbon emissions relates to operating costs as described above.

#### c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Our 'net zero by 2030' target, progress and roadmap demonstrate our commitment to reducing emissions with transition milestones embedded into our financial and strategic business planning. Growth of handprint services represent a significant positive climate impact, and these directly align with, and are driven under, our business service strategies.

▶ Find out more on pages 15–19, and 23

#### Our net zero ambition



## Ensuring ethical practices

# Policy and processes

### Whistleblowing

The Company's Whistleblowing Policy outlines its applicability to all Company employees, spanning senior managers, officers, directors, employees, consultants, contractors, trainees, homeworkers, part-time and fixed-term workers, casual and agency staff (collectively referred to as 'employees'). Our Policy defines what whistleblowing is, how to raise a concern, confidentiality, external disclosures, investigation and outcome processes, and protection and support for whistle-blowers, including non-retaliation.

The Group encourages employees to report any concerns which they feel need to be brought to the attention of management concerning any possible impropriety, financial or otherwise. The Group has put in place a whistleblowing policy and procedure which is reviewed regularly to ensure compliance, including an external reporting hotline 'Safecall' available 24/7 where employees can confidentially report any concerns or wrongdoing, ensuring confidence in non-retaliation.

Our Whistleblowing Policy and supporting procedures are available in all relevant local languages. At this time, this is in English as this is the primary language in our operational areas. We proactively communicate both our Whistleblowing Policy, and confidential reporting hotline within our Employee Handbook, and the Policy is included in the mandatory employee e-learning module 'Anti Bribery, Gifts and Charitable Donations'.

This procedure may be used to report incidents of fraud, bribery and corruption, discrimination, bullying or harassment, breaches of the Group's health and safety or quality compliance, or environmental concerns. The Group provides the Audit Committee with information in relation to matters reported, any subsequent investigation and follow-up actions.

### Anti-Bribery Policy

This policy sets out the steps all of us must take to prevent bribery and corruption within the business in order to comply with relevant legislation and the Company's requirements. Our Policy defines what bribery and corruption are, including facilitation payments, the legal and Company position on bribery, risks of not acting with integrity, benefits of integrity and indicators of bribery and corruption. To support understanding further and to guide acceptable behaviour, the policy outlines areas of specific risk such as gifts and hospitality. The policy also outlines requirements for full and accurate records, monitoring and employee responsibilities. How to raise concerns is described within the policy, alongside highlighting the Whistleblowing procedures as an alternative to the primary reporting process if necessary. The policy covers activities conducted by another member of staff, a third party who represents the Company, by one of the Company's suppliers or competitors, or by other relevant stakeholders.

### Freedom of association

We are dedicated to respecting our employees' rights through their journey with SMS. Our Recruitment and Selection Policy covers a range of commitments to ensure consistency and transparency, specifically freedom of association and the right to collective bargaining are respected under our alignment with both the Ethical Trading Initiative (ETI) Base Code and the UN Global Compact, and quoted within that policy. Employees are made aware of routes to communicate if they believe discrimination has taken place through the Company Grievance Policy or, if the complaint involves bullying or harassment, the Grievance Policy incorporates relevant aspects of the Dignity at work Policy.

### Company ethics training

Our Data Protection, Equality & Diversity Modules and Anti Bribery, Gifts and Charitable Donations Training are established, mandatory elements of the corporate induction for all new full and part time employees. Our eLearning course, 'Equality, Diversity and Inclusion', aims to increase understanding and awareness of other cultures. Our course on 'Anti Bribery, Gifts and Charitable Donations' contains an introduction to the relevant legislation and definition of bribery and corruption, definition and prohibition of facilitation payments of any kind, guidelines of what is considered acceptable behaviour and highlights our 'Gifts and Hospitality' and 'Charitable and Political Donation' Policies. Within this training we highlight the importance of Anti bribery and corruption within SMS, specifying that breaches will not be tolerated. These training modules represent part of the suite of training supporting employees on the ethical standards held at SMS, these modules are incorporated into the on-boarding of all new employees, and available as a refresher for existing employees.

### Engagement with stakeholders

Stakeholder engagement is critical to the long-term success and financial sustainability of our business. It is the process by which we develop our knowledge and understanding of each stakeholder group and the key drivers for each of them in their interaction with our business. We have proactively sought to maintain open, engaged, and transparent dialogue with all stakeholder groups, and this has led to an enhanced understanding by us of their key concerns, which we have embedded within Board and Committee discussions held throughout the year.

The Board recognises its responsibility to understand and consider stakeholder views as part of its decision-making process and remains committed to fostering effective business relationships. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights regarding the issues that matter most to them and the business, and to enable the Board to understand and consider these issues in its decision making.

In addition to our shareholders, suppliers and customers, our employees are one of our most important stakeholder groups. The Board closely monitors and reviews the results of all employee engagement, as well as any other feedback it receives to ensure alignment of interests.



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